Vietnam Phoenix Fund Limited
Annual Report and Audited Financial Statements
for the year ended
31 December 2017

VIETNAM PHOENIX FUND LIMITED

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VIETNAM PHOENIX FUND LIMITED

GENERAL INFORMATION

The following information is derived from and should be read in conjunction with the full text and definitions section of the Private Offering Memorandum of Vietnam Phoenix Fund Limited (the "POM"), dated March 2017, copies of which are available on request from State Street Fund Services (Ireland) Limited (the "Administrator") or by contacting Duxton Asset Management Pte Ltd at VPF@duxtonam.com.

DWS Vietnam Fund Limited was incorporated in the Cayman Islands on 13 September 2006 under the Companies Law, Cap. 22 (Revised) of the Cayman Islands as an exempted company with limited liability. At the Annual General Meeting of DWS Vietnam Fund Limited held on 30 September 2016, shareholders resolved to change its name to Vietnam Phoenix Fund Limited (the "Company"). The Company was registered with the Cayman Islands Monetary Authority ("CIMA") with effect from 1 January 2017, pursuant to Section 4 (3) of the Mutual Funds Law (revised) of the Cayman Islands.

The investment objective of the Company is to seek long-term capital appreciation by investing directly or indirectly in a diversified portfolio of securities of companies that do some or all or their business in Vietnam.

The Directors who held office during the year ended 31 December 2017 were:

Kevin A Phillip (independent)
Judd Kinne (independent)
Martin Adams (independent)

INVESTMENT MANAGER

The Company has appointed Duxton Asset Management Pte Ltd as Investment Manager ("Duxton" or the "Investment Manager"). Duxton is a specialist asset manager licensed by the Monetary Authority of Singapore. Duxton is required to ensure that all investments made on behalf of the Company comply with all investment objectives, policies and restrictions of the Company. Ultimate discretion over the assets and affairs of the Company remains with the Board of Directors (the "Board" or the "Directors").

CUSTODIAN

The Company has appointed State Street Custodial Services (Ireland) Limited (the "Custodian") as custodian of its assets, pursuant to an agreement dated 15 November 2006. Assets located in Vietnam or assets located in any other jurisdictions which require assets to be held by a local sub-custodian are held within the State Street sub-custodian network pursuant to the Custodian Agreement. The sub-custodian appointed by the Custodian in Vietnam is HSBC Bank (Vietnam) Limited. The Custodian and any sub-custodian appointed by the Custodian provide safe custody for the Company's assets. The Investment Manager ensures that adequate custody arrangements have been entered into in relation to any entity in which the Company is invested.

The Custodian (and any other sub-custodian duly appointed by the Custodian) holds all assets of the Company received by the Custodian in accordance with the terms of the Custodian Agreement. Under the Custodian Agreement, the Custodian acknowledges that investments of the Company may be made in markets where custodial and/or settlement systems are not fully developed, such as Vietnam, and that the assets of the Company and its subsidiaries which are traded in such markets are required to be held by local sub-custodians operating and established in such jurisdictions.

ADMINISTRATOR

The Company has appointed State Street Fund Services (Ireland) Limited to maintain the books and financial records of the Company as Administrator pursuant to an agreement dated 10 November 2006.

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GENERAL INFORMATION (CONT/D)

LEGAL ADVISOR
The Company has appointed Ogier as its legal advisor in relation to Cayman Islands Law.

COMPANY SECRETARY
The Company has appointed DMS Corporate Services Ltd. as Company Secretary.

REGISTERED OFFICE
The registered office of the Company is DMS House, 20 Genesis Close, P.O. Box 1344, Grand Cayman KY1-1108, Cayman Islands.

DIVIDENDS
It is not the current intention of the Company to pay dividends.

SHARES
The Company has an authorised share capital of US$10,000,000 consisting of 2,000,000,000 shares of par value of US$0.005 each as at year end 31 December 2017. The Company has two active share classes, Class A shares are open-ended while Class C shares are closed-ended. As of 31 December 2017, only Class C shares of the Company are listed on the Irish Stock Exchange.

Class A shares and Class C shares have the same rights in relation to voting, dividends, return of share capital and other matters as set out in the Articles of Association. Each share class has specific investment management fees and performance fees as well as different rights in relation to redemptions.

AIFMD
The Board has considered the implications of the European Union Directive on Alternative Investment Fund Managers 2011/61/EU ("AIFMD") and it is satisfied that because the Company's shares are not marketed in Europe, there is no significant impact on the Company as a consequence of AIFMD and therefore there is no impact on the financial statements.

VIETNAM PHOENIX FUND LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for preparing the Company's financial statements (the "financial statements").

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with International Financial Reporting Standards (IFRS), and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Under the requirements of the Listing Rules issued by the Irish Stock Exchange, the Directors are responsible for preparing a Management Report. In particular, in accordance with the Transparency Directive (2004/109/EC) Regulations 2007 (S.I. No. 277 of 2007), the Directors are required to include in this report a fair review of the business, a description of the principal risks and uncertainties facing the Company and a responsibility statement relating to these and other matters. The Board considers that the information required to be included in their Management Report, is provided in the Investment Manager's Report on pages 6 to 30 and Notes 15 and 19 of the financial statements.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with IFRS and Article 4 of the International Accounting Standards (IAS) Regulation (1606/2002). They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

IFRS 10 'Consolidated Financial Statements' and its subsequent amendment relating to Investment Entities ("IE") has been applicable for periods commencing 1 January 2014. The Board has concluded that, under those requirements, the Company qualifies as an IE and is required to carry its IE subsidiaries at fair value through profit or loss instead of consolidating them. This revised accounting method was first applied in 2014.

For the financial year ended 31 December 2017, the Company ceased to consolidate one non-IE subsidiary, Teignmouth Limited, as that subsidiary only held treasury shares on behalf of the Company, all such treasury shares having been canceled in September 2016, with no further repurchase of treasury shares.

Financial statements: risk management and internal control

The Board is responsible for establishing and maintaining for the Company, adequate internal control and risk management systems in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of error or fraud in achieving the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has procedures in place to ensure that all relevant books of account are properly maintained and are readily available, including the procedures for the production of audited annual financial statements. The Board has appointed the Administrator to maintain the books and records of the Company. From time to time, the Board, with the assistance of the Investment Manager, examines and evaluates the Administrator's financial accounting and reporting processes. The annual and unaudited semi-annual financial statements are produced by the Administrator and reviewed by the Investment Manager.

VIETNAM PHOENIX FUND LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS (CONT/D)

The audited annual and unaudited semi-annual financial statements are required to be approved by the Board and filed with the Irish Stock Exchange ("ISE") and the Cayman Islands Monetary Authority.

During the period of these financial statements, the Board was responsible for the review and approval of the annual financial statements as set out in the Statement of Directors' Responsibilities. The financial statements are required to be audited by independent auditors who report annually to the Board on their findings. The Board monitors and evaluates the independent auditor's performance, qualification and independence. As part of its review procedures, the Directors receive presentations from relevant parties including consideration of developments in international accounting standards and their impact on the annual financial statements, and presentations and reports on the audit process. The Board evaluates and discusses significant accounting and reporting issues as the need arises.

The Administrator prepares the valuations for the Company at each valuation point that fair values the IE subsidiaries.

Each valuation of the Company is reviewed in accordance with standard operating procedures of the Administrator. This includes substantial reliance on valuations of private equity investments carried out by Grant Thornton Vietnam as at 31 December 2017. The financial statements are prepared by the Administrator in accordance with IFRS and the Administrator uses various internal controls and checklists to ensure the financial statements include complete and appropriate disclosures required under IFRS and relevant legislation.

In addition, the valuation as prepared by the Administrator is reconciled by the Investment Manager to their own independent records for completeness and accuracy and further reviewed and approved by the Investment Manager.

Responsibility Statement, in accordance with the Transparency Regulations

Each of the Directors, whose names and functions are listed on pages 2 and 76 of this report confirm that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2017 and its statement of comprehensive income for the year then ended;
- the Investment Manager's Report contained in the Annual Report and Note 19 of the financial statements includes a fair review of the development and performance of the business and the position of the Company. A description of the principal risks and uncertainties that the Company faces is provided in the Investment Manager Report on pages 6 to 30 and Note 15 of the financial statements.

On behalf of the Board of Directors

Director

Date: 27 April 2018

VIETNAM PHOENIX FUND LIMITED

Company Restructuring Note

The Vietnam Phoenix Fund Limited's (the "Company") restructuring was approved by shareholders during its Extraordinary General Meeting on 22 December 2016 and implemented on 1 January 2017. Following the restructuring, the Company's share capital was split into 3 distinct share classes. For every share owned previously, shareholders who opted for the "Continuation Option" received 1 Continuation Share (Class A) and 1 Private Equity Share (Class C), while shareholders who opted for the "Realisation Option" received 1 Realisation Share (Class B) and 1 Private Equity Share (Class C).

As of 31 December 2017, the Class B Shares have been fully redeemed and no longer exists. The Class A Shares are open-ended with monthly issuance while the Class C Shares remain closed-end.

This Investment Manager's report covers the period from 1 January 2017 to 31 December 2017 following the Company's restructuring.

I. CLASS A – Continuation Shares

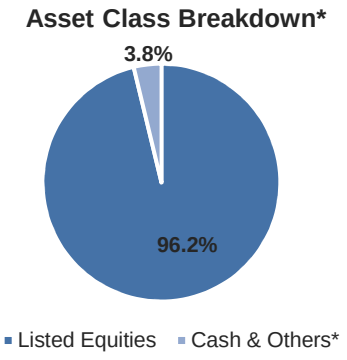
NAV Update

The Net Asset Value ("NAV")[1] for the Lead Series Class A Shares of the Company as of 31 December 2017 was USD 0.7219, up 33.31% from USD 0.5410 as of 1 January 2017.

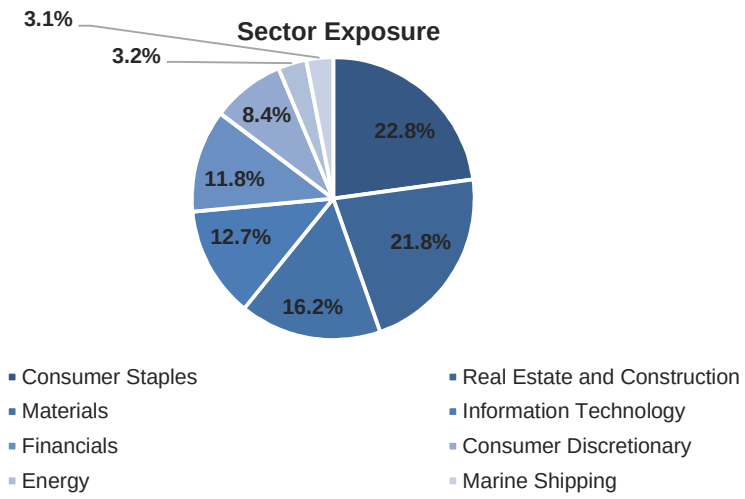
Class A Shares Exposure and Performance

The asset class and sector exposures of the Class A Shares are summarized in the charts on page 7 and discussed in detail in the following sections.

[1] NAV figures are based on the dealing net asset value as at 31 December 2017.



*Includes accruals and liabilities, adjusted to account for pending redemptions



*Peer Group Analysis***

At the end of December 2017, in terms of NAV change over the financial year, the Lead Series Class A Shares returned 33.31%. The 1 year performance in terms of NAV change for the peer fund group ranged between 16.92% and 60.18%. Over a 5-year period, the Lead Series Class A Shares' NAV increased 26.22% per annum, compared to the peer average of 22.97% per annum.

The peer group used for comparison is derived from funds that have exposure to the Vietnamese market and whose information is publicly available.

** - The peer group analysis was performed using the information received from multiple sources; mainly from the peer funds' published data. Also, when analysing the performance of a fund relative to its peers, one needs to be mindful of the different investment strategies across the funds. The Class A Shares portfolio invested only in listed equities. Also, this universe of peers may not be complete due to insufficient data provided by other funds.

Fund Name	Fund Manager	Fund Type	AuM (USDmn)	NAV (USD) Dec 17	NAV Change (annualised) 1Y	3Y	5Y
Offshore Listed Equity Funds							
Vietnam Phoenix Fund Class A*	**Duxton AM**	**Open End**	**70**	**0.7212**	**33.3%**	**21.8%**	**26.22%**
Vietnam Emerging Equity Fund	PXP Vietnam AM	Open End	163	11.06	51.7%	27.2%	33.5%
Vietnam Equity UCITS Fund	Dragon Capital	Open End	163	23.08	41.4%	30.4%	N.A
Forum One - VCG Partners Vietnam Fund	VinaCapital	Open End	88	16.11	39.5%	N.A	N.A
Vietnam Opportunities Fund	JP Morgan AM	Open End	235	17.92	49.0%	22.4%	26.1%
PYN Elite Fund	PYN Fund Management Ltd	Open End	516	380.38	38.2%	10.5%	18.3%
Lumen Vietnam Fund	IFM AG	Open End	52	204.75	27.5%	16.0%	22.8%
Vietnam Alpha Fund	APS AM	Open End	46	269.13	27.5%	19.3%	27.6%
Vietnam Equity Holdings	Saigon AM	Open End	62	5.69	41.6%	11.8%	21.1%
Vietnam Enterprise Inv Ltd	Dragon Capital	Closed End	1,554	7.06	60.2%	37.8%	39.3%
Vietnam Holding Ltd	Vietnam Holding	Closed End	212	3.12	17.8%	17.2%	27.3%
Onshore Listed Equity Funds							
VCBF Blue Chip Fund	Vietcombank Fund Management	Open End	19	0.8724	41.0%	31.1%	N.A
VFM Blue Chip Investment Fund	VietFund Management	Open End	29	0.6520	19.5%	18.4%	21.1%
VFM Securities Investment Fund	VietFund Management	Open End	47	1.44	16.9%	15.9%	N.A
Exchange Traded Funds							
VanEck Vectors Vietnam	VanEck	Offshore ETF	349	17.88	38.6%	0.0%	2.7%
DB x-trackers Vietnam	Deutsche Asset Management	Offshore ETF	305	32.92	50.5%	8.9%	9.9%
VFM VN30 ETF	VietFund Management	Onshore ETF	120	0.7125	59.5%	20.7%	N.A
PEER FUNDS AVERAGE					**38.4%**	**19.3%**	**22.97%**
VN-Index (USD)				0.04334	48.4%	23.3%	23.6%
VN30 Index (USD)				0.04296	55.7%	17.6%	16.9%
VN100 Index (USD)				0.04089	51.7%	19.7%	20.2%
VH-Index (USD)				0.00515	46.3%	11.0%	17.6%

^ NAV quoted from Fund website/Bloomberg

*Lead Series - Includes historical performance of the Company prior to the restructuring as of 31 Dec 2016. Past performance is not an indicator of future performance.

Performance Analysis

The 10 largest holdings of the Class A Shares portfolio as of 31 December 2017 are listed below:

Class A Shares – Top 10 Holdings			
Rank	**Security Name**	**Market Value (USD)**	**% of NAV***
1	Vinamilk	10,277,960	14.8%
2	FPT Corp	8,046,109	11.6%
3	Hoa Phat Group	6,524,898	9.4%
4	Vietnam Enterprise Inv Ltd	4,348,539	6.3%
5	Hoa Sen Group	3,777,588	5.4%
6	Kinh Bac City Devpt	3,765,324	5.4%
7	Khang Dien House	3,722,233	5.3%
8	Mobile World Group	3,421,264	4.9%
9	HD Bank	2,959,179	4.2%
10	Vinh Hoan Corp	2,422,194	3.5%
	Total	**49,265,287**	**70.8%**

* Numbers may not add up due to rounding

The Lead Series Class A Shares returned 33.31% in 2017, underperforming the VN Index by 15.12 absolute percentage points (in USD terms). The performance of large cap stocks such as Vinamilk and FPT Corp, the portfolio's two largest holdings, were key contributors to the portfolio.

Despite overweighting the consumer sector, which was the biggest contributor to market performance in 2017, the performance of the Lead Series Class A Shares lagged behind the VNIndex due to a lack of exposure to two consumer stocks, namely Masan and Sabeco, about which we do not have high long-term convictions. In addition, while our underweight exposure to the banking sector has helped us outperform the VN Index in the past several years, it has not worked in our favour in 2017. The recovery of the oil & gas sector (which we are underweight) due to higher global oil prices had also contributed to the performance differential.

However, a few small/mid-cap stocks in the portfolio contributed positively to performance, such as real estate developer Dat Xanh Real Estate (DXG), construction service provider Hoa Binh Corporation (HBC) and brokerage company Ho Chi Minh Securities (HCM). The booming real estate market and infrastructure activities in Vietnam provided strong support for real estate and construction stocks such as DXG and HBC. The strong performance of the stock market also greatly benefitted HCM, which was able to execute several large IPOs and key State Capital Investment Corporation of Vietnam ("SCIC") divestments. Greater trading volumes, margin lending and market share also supported HCM's earnings and share price.

Detractors to the performance of the Lead Series Class A Shares in 2017 include Hoa Sen Group (HSG) due to disappointing fourth quarter results and a corporate governance issue, Vietnam Container Shipping (VSC) due to greater competition and margin contraction, and GTN Foods (GTN) whose restructuring process is taking more time than expected.

During the year, the Class A Shares portfolio successfully participated in a number of IPO transactions which have yielded satisfying returns, namely Viet Capital Securities, Kido Frozen Foods and HD Bank.

The key philosophy of the Class A Shares portfolio is to seek long-term capital appreciation for investors. Therefore, the Class A Shares portfolio is well-diversified across the key driving industries of the Vietnamese economy.

1. Vietnam Dairy Products JSC (VNM, +71.9%[2])

Vietnam Dairy Products (Vinamilk) is Vietnam's leading dairy producer. The company has a very wide product portfolio, mainly in dairy products, milk formula and baby food. It is also the consumer products company with the largest distribution network in Vietnam, consisting 266 exclusive distributors, 240,000 points of sale and 218 self-branded shops. Its liquid milk business is the biggest segment in terms of both revenue and profit, followed by yoghurt, powdered milk and condensed milk. At the end of 2017, according to Euromonitor, Vinamilk retained its leading position in each segment with a 58% market share in drinking milk, 84% in yoghurt and 82% in condensed milk.

[2] Source: Bloomberg

Vinamilk possesses a modern production line with 13 factories and 10 dairy farms around the country, containing nearly 24,000 cows. The cow herd however supplies only a small proportion of the input required (10%), with the remainder sourced from milk contracts with local dairy farmers and milk powder imports from Australia and New Zealand. In 2017, the company opened its first EU-certified organic dairy farm in Da Lat, Lam Dong province and continues to expand its local milk production capacity with plans to build 3 new dairy farms in Ha Noi's Ba Vi district with 8,000 cows.[3] The company's vision is to increase its herd to 50-60,000 cows within the next 4 years in both Vietnam and Laos, gradually reducing the company's input supply dependence on imported sources.

In 2017, VNM achieved VND 51,041 bn in sales and VND 10,278 bn in net profit,[3] equivalent to growth rates of 9.1% Year-on-Year (YOY) and 9.8% YoY, respectively. This result was attributed to a strong growth in domestic sales (+13% YoY) and stable gross profit margin. Despite higher input milk powder costs, tweaks to Vinamilk's product mix (focusing on high margin categories such as powdered milk and yoghurt) helped to offset the additional costs. Meanwhile, export sales (14.6% of FY2017 revenue vs 18.6% of FY2016 revenue) declined 14% YoY due to unstable political issues in the Middle East which affected its Iraqi distributor. General & administration expenses climbed 20% in FY2017 vs FY2016, due to a special one-off cash bonus to reward staff for achieving management targets for the year. During the year, Vinamilk continued to outperform against its peers, increasing its market share in the dairy market to 58% vs 56% in 2016.

In November 2017, the SCIC held an auction to sell a 3.33% stake in the company, all of which was purchased by Hong Kong conglomerate Jardine Matheson at a premium price. Jardine Matheson also purchased shares via put-throughs on the market, bringing their total stake to 10% by 17 November and making them the third largest shareholder of Vinamilk, behind Fraser & Neave (Vinamilk's other strategic shareholder with 16%) and the SCIC (36%).[3] Meanwhile, Fraser & Neave announced it had also bought shares on the market and increased its ownership to 16.5% by the end of 2017.[3] We view this as a very positive development for Vinamilk, given Jardine's investment rigour, strategy and retail exposure in the region.

The SCIC, VNM's largest shareholder, has included Vinamilk in its divestment pipeline for 2018. However, exact details of the sale have not been released as yet. There is a good chance this will not happen during 2018, given that the SCIC currently owns a 36% veto block. However, if and when further SCIC divestment takes place, there will be interest for control, particularly from the two foreign strategic shareholders. That being said, Vinamilk remains as one of the best Vietnamese companies in all metrics and remains our top pick for long term capital appreciation.

We have an optimistic outlook on the company for 2018 as dairy input prices are lower and domestic consumption of dairy products remains strong and growing. While its exports to traditional markets in the Middle East and South East Asia are still growing, the company is in the process of expanding to new markets in Africa and Central America. Vinamilk's management expects top line to grow at 10% YoY, in line with their five year strategic business plan.

At the end of 2017, Vinamilk traded at a 2018F P/E of 26.9x.[4]

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[3] Source: VNM announcements
[4] Source: Bloomberg

2. FPT Corporation (FPT, +55.4%)[5]

FPT is Vietnam's leading Information and Communication Technology ("ICT") company with market-leading positions in its three main business segments: (1) Technology segment (25.3% of FY2017 revenue) with Software production, system integration and IT services; (2) Telecommunication segment (17.4% of FY2017 revenue) with broadband internet and digital content; (3) Retail and Distribution (54.9% of FY2017 revenue). FPT also offers educational services (2.4% of FY2017 revenue) through its subsidiary FPT University, providing vocational training and undergraduate programs specialising in information technology.

FPT's software development business has exposure to 21 countries with 25 service delivery centres, providing software solutions in domains such as government, public finance, banking, education, healthcare and transportation. FPT is ranked number one in Vietnam in terms of IT services provision and infrastructure. The company's telecom segment currently provides internet infrastructure coverage in 59 of the country's 63 cities and provinces.

2017 witnessed FPT's transformation to depart from their legacy Retail and Distribution business. After expanding the number of retail outlets to 480, the company announced the divestment of its retail business (FPT Retail or FRT) from 85% to 47% ownership,[6] in which a 35% stake was sold to funds managed by Dragon Capital, VinaCapital and Singapore's Temasek Holdings.[6] A 52% stake in FPT's distribution business (FPT Trading) was also sold to Synnex Corp, the world's third largest distributor of IT and electronics products, reducing FPT's ownership to 48%.[6] These divestments will allow FPT to focus on its core businesses and better allocate resources to the Technology and Telecoms segments.

For FY2017, FPT recorded revenue of VND 43,845 bn, up 8% YoY and fulfilling 94% of its full year target.[6] Profit before tax (PBT) reached VND 4,249 bn, up 41% YoY and fulfilling 125% of its full year target.[6] Gains from the divestment of its two companies, FPT Retail and FPT Trading contributed around 23% of the parent company's total PBT. FPT's overseas markets recorded revenue of VND 7,199 bn, up 18% YoY, and PBT of VND 1,207 bn, up 29% YoY, accounting for 28% of the consolidated PBT.[6] Software outsourcing performed well with strong growth in top and bottom lines (+20% and +25% YoY, respectively) thanks to contribution from Japanese and Asian markets. However, its System Integration, Software Solutions and IT Services segments lagged due to delays in the signing of contracts and projects being deployed.[6] Telecoms segment continued to grow, however PBT was impacted by a provision to Vietnam's telecom utility fund as required by the Vietnamese government.[6] The Retail and Distribution segment witnessed incremental top line growth (+4% YoY) thanks to contribution from newly opened stores and its online sales channel, while earnings grew strongly (+29% YoY).[6]

Vietnam's internet penetration rate has been growing steadily from 31% in 2010 to 56% as of 2017[7] and is among the Asian countries with the largest number of internet users. FPT is in a prime position to supply these consumers with internet-based products and services such as digital content creation, media, advertising, video games and e-commerce.

At the end of 2017, FPT traded at a 2018F P/E of 13.3x[5], which represents a re-rating as we have predicted in the past, but still quite attractive for a telecom/technology company.

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[5] Source: Bloomberg
[6] Source: FTP announcements
[7] Source: Internet Live Stats

In November 2017, the SCIC announced the upcoming divestment of its 6% stake in FPT Corporation along with several other state-owned companies[8] which we believe will happen in 2018.

3. Hoa Phat Group (HPG, +74.0%[9])

Hoa Phat Group is one of the leading private industrial groups which has a 24% and 27% market share in the Vietnamese construction steel and steel pipe industry, respectively. The company sells its products nationwide, with steel products contributing to more than 80% of its total revenue in FY2017. HPG's competitive advantage lies in its vertically integrated business model. HPG uses Blast Furnace technology, which requires significant investment, where the main input material is iron ore. This technology usually provides a cost advantage of around 5% over competitors, but could expand to 10-15% when iron ore price increases at a slower rate to steel scrap and billet prices, as was the case in 2017.

For 2017, HPG reported robust earnings with revenue and net profit after tax coming in at VND 46.8 tn (+38.7% YoY) and VND 8 tn (+21.4% YoY), respectively.[10] HPG sold 2.2 million tons of construction steel, an increase of 21% compared to 2016, while steel pipe sales reached 581,000 tons, an increase of 18% YoY.[10] Construction steel accounted for 77%, while steel pipes accounted for 20% of total steel production, with the remainder in galvanized steel. The average selling price for construction steel increased 18% YoY to VND 11.5 mn/ton, however gross margin declined from 2016's record of 26.3% to 23.1%, given the usage of lower cost inventory in 2016.[10] The company's production plants are running at 100% utilisation, helping to optimise the production cost per unit. HPG has also begun handing over the Mandarin Garden Two project to customers and has booked 20% of the revenue, while the remaining 80% will be booked in FY2018.[10] Its agriculture segment also performed well, with margin gains from the livestock business and achieving breakeven in the animal feed business.[10] As such, the company surpassed its 2017 revenue and net profit targets by 17% and 33%, respectively.

HPG's Dung Quat steel complex began construction in June 2017 and is expected to be completed in two years. This project consists of two phases and costs nearly USD1.8 bn. HPG expects phase 1 of the new Dung Quat steel complex will come online from Q3-2018. This facility will double production capacity and ease the load on HPG's factories which are currently running at full capacity. In December 2017, HPG announced a VND 1 tn investment to build a high quality post-tensioning steel factory in the Dung Quat economic zone.[10] This factory will be located next to its Hoa Phat Dung Quat iron and steel production complex and is aimed at reducing reliance on imported steel scrap and billet. This will result in significant savings in transportation and inventory costs, while reducing lead time. HPG remains in a good position to reap the benefits of Vietnam's booming real estate market and the Vietnamese government's slate of infrastructure projects.

At the end of 2017, HPG traded at a 2018F P/E of 8.8x[9], which is low for an industry leader and blue-chip stock. For 2018, we expect to continue witnessing strong construction workload in the residential, commercial, industrial and infrastructure segments, as well as trade protection measures in favour of local producers. However, a margin normalisation from 2017's high base might occur, which will benefit steel players with more controlling power and selling ability such as HPG.

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[8] Source: State Capital Investment Corporation of Vietnam
[9] Source: Bloomberg
[10] Source: HPG announcements

4. Vietnam Enterprise Investments Limited (VEIL, +63.7%[11])

Vietnam Enterprise Investments Limited (VEIL) is a closed-end fund listed on the main market of the London Stock Exchange. Launched in 1995, VEIL invests primarily in listed companies in Vietnam. VEIL is managed by Dragon Capital, an independent asset manager based in Vietnam with over USD 3.11 bn (as of 31st December 2017) in listed equity, clean-tech, fixed income and real estate for international pension and sovereign wealth funds and endowments.[12] VEIL's AUM at the end of 2017 was around USD 1.55 bn[11], representing 50% of Dragon Capital's managed assets.

Throughout the year in 2017, VEIL's NAV increased 60.2%, while its price increased 63.7%, in USD terms. The discount to NAV narrowed to 15.4% at the end of December, compared to 17.2% in December 2016. VEIL's performance was driven primarily by its holdings in PetroVietnam Gas (+70.2%), Asia Commercial Bank (+109.7%) and Airports Corporation of Vietnam (+125.1%).[11]

The Class A Shares portfolio maintains a position in VEIL which was initiated before the Company's restructuring, given its discount to NAV as well as exposure to foreign limited and illiquid stocks such as Mobile World, Asia Commercial Bank, Military Bank, and Airports Corporation of Vietnam. However, the Company's exposure to VEIL has been significantly reduced during the year.

5. Hoa Sen Group (HSG, -14.0%[11])

Hoa Sen Group (HSG) is a one of Vietnam's leading steel producers. In FY2017, the production of steel sheets represented 73% of revenue, followed by steel pipe (25% of revenue), plastic pipe (2% of revenue) and other products. HSG also derives a significant proportion of its revenue from export sales (38% of revenue). Among the Vietnamese steel companies, HSG possesses the strongest sales network with 371 retail branches and 9 base depots at the end of 2017. HSG aims to open more than 100 new branches per year and is on track to reach 500 branches by the end of 2018. As of 2017, it held a 34% market share in galvanized steel sheets (ranked first) and 18% market share in steel pipe (ranked second behind Hoa Phat).

In FY2017 (fiscal year ending 30 September), HSG reported weaker than expected earnings, with strong revenue growth of +46.1% YoY but negative net profit growth of -11.5% YoY.[13] Sales volume of steel sheets in FY2017 grew 32% YoY, outperforming the industry growth rate of 28%.[13]The anti-dumping tariffs imposed on steel sheets imported from China and Korea, and efforts to expand its production capacity and distribution network, contributed to HSG's robust volume growth. Sales volume of steel pipe increased 4% YoY.[13] FY2017 gross margins declined to 16.9% from a high level of 23.3% last year, reportedly due to rising input material cost. In FY2016, HSG benefited from low cost inventory of hot rolled coil (HRC), the input material, while experiencing a recovery in selling prices.[13] However, despite HRC experiencing the same price trend this year, it did not translate to the expected profitability which was witnessed last year. We questioned HSG's input purchase and output distribution strategy, which may reflect a corporate governance issue involving partly-owned subsidiaries on both ends. Interest expense was also a drag to HSG's FY2017 earnings, rising 130% to VND 482 bn, due to a large jump in the company's total debt balance (VND 11.9 tn from VND 5.9 tn in FY2016).[13]

For HSG's 2018 financial year, the company has set conservative targets, with revenue of VND 30,000 bn (+14.7% YoY) and net profit of VND 1,350 bn (+1.3% YoY).[14]

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[11] Source: Bloomberg
[12] Source: HPG announcements
[13] Source: HSG announcements
[14] Source: HSG announcements

In terms of sales volume, HSG targets 1.8 million tons of finished steel products and plastic pipe (+15.4% YoY).[14] We believe the company is likely to achieve this target, given robust construction activity in Vietnam.

The company also plans to restructure their distribution network of potentially 500 branches and implement their Enterprise Resource Planning system, in order to reduce unnecessary overhead costs and improve efficiency. However, given the outstanding corporate governance issue, we are not confident in the company's ability and willingness to recover margins over the next year. The Class A Shares portfolio has significantly reduced its exposure to HSG during the year.

II. CLASS B – Realisation Shares

Following the Company's restructuring on 1 January 2017, the share capital was split into 3 distinct share classes. For every share owned previously, shareholders who opted for the "Realisation Option" received 1 Realisation Share (Class B) and 1 Private Equity Share (Class C). The initial NAV per share of the Company's Class B Shares as of 1 January 2017 was USD 0.5292, making its initial NAV USD 122,973,044. The Investment Manager was mandated to realise all the assets in the Class B portfolio in an orderly manner over a period of up to six months and return cash to Realisation Shareholders promptly.

The first compulsory redemption of 116,186,241 Realisation Shares (equivalent to 50% of the total number of Realisation Shares issued on 1st January 2017) was paid out on 17th February 2017. The redemption price was based on 25th January 2017 NAV/share of USD 0.5422.

The second compulsory redemption of 111,538,791 Realisation Shares (equivalent to 48% of the total number of Realisation Shares issued on 1st January 2017) was paid out on 10th March 2017. The redemption price was based on 25th January 2017 NAV/share of USD 0.5422.

The third and final compulsory redemption of all remaining 4,647,449 Realisation Shares (equivalent to 2% of the total number of Realisation Shares issued on 1st January 2017) was paid out on 21st April 2017. The redemption price was based on 31st March 2017 NAV/share of USD 0.7177.

Based on the final redemption proceeds, each Class B Share received total distributions of USD 0.5457* per share, equal to 103.1%* of the Class B Share NAV at 1st January 2017 as shown in the table below.

	Date	NAV/Share (A)	Percentage Redeemed (B)	Value (A x B)
Initial NAV	1/1/17	**0.5292**		-
1st redemption	17/2/17	0.5422	50%	0.2711
2nd redemption	10/3/17	0.5422	48%	0.2603
3rd redemption	21/4/17	0.7177	2%	0.0144
TOTAL				**0.5457**

* Numbers may be subject to rounding

As of 31 December 2017, the Company's Class B Shares have been fully redeemed and no longer holds any assets or liabilities. This share class no longer exists and is unavailable for investment.

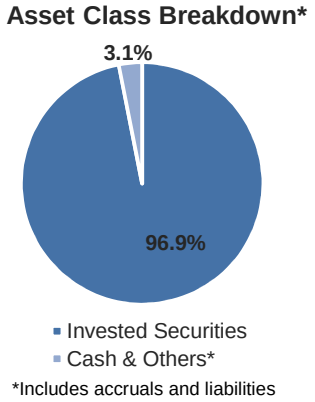
III. CLASS C – Private Equity Shares

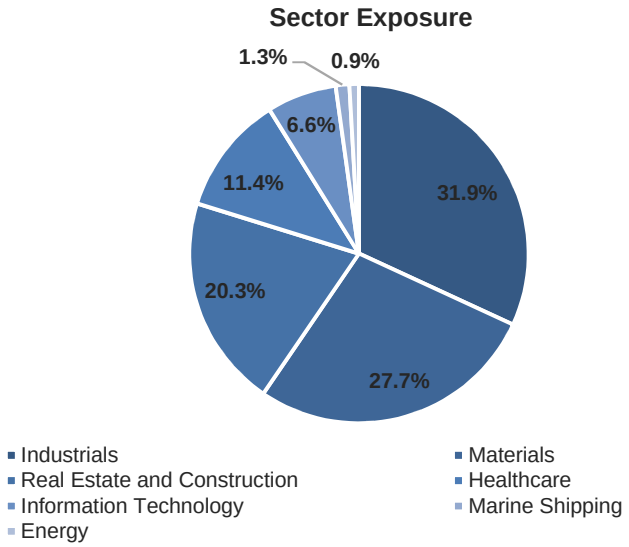
NAV Update

The NAV for the Class C Shares of the Company as of 31 December 2017 was USD 0.3279, down 4.29% from USD 0.3426 as of 1 January 2017. The gross IRR returns of realized private equity investments to date has been 14.0% USD IRR.

Class C Shares Exposure and Performance

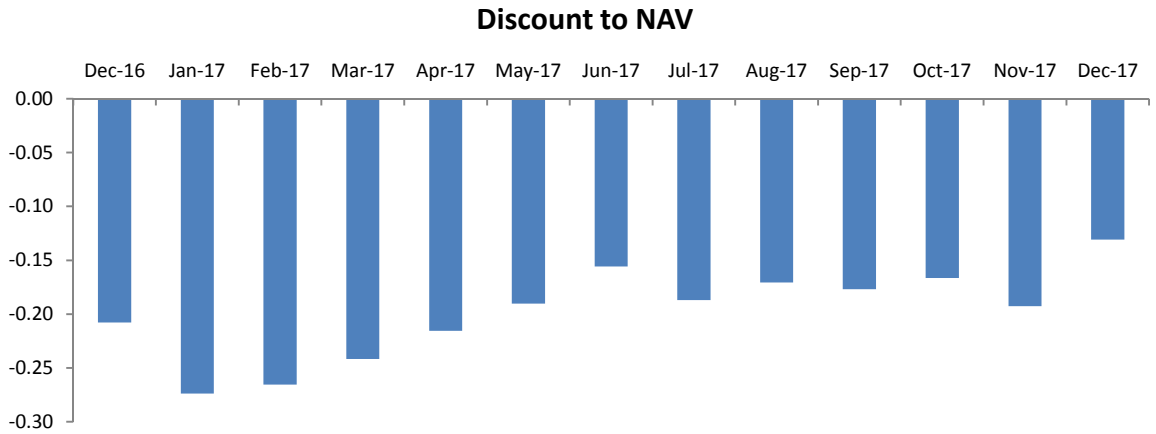
The asset class and sector exposures of the Class C Shares are summarized in the charts below and discussed in detail in the following sections.





Discount to NAV Analysis

The indicative market prices of the Class C Shares are at a discount of between 13.1% and 27.4% to the NAV of the Class C Shares from 30 December 2016 to 31 December 2017. The indicative market prices are calculated from the average of bid and ask prices provided by three market makers – Jefferies International, Numis Securities and FinnCap.



Source: Bloomberg – JCEF, NUMI, JMFC

Performance Analysis

The 5 largest holdings of the Class C Shares portfolio as of 31 December 2017 are listed below:

Top 5 Holdings				
Rank	**Security Name**	**Market Value (USD)**	**% of NAV**	**Current Gross USD IRR based on market value**
1	GreenFeed	40,045,841	28.8%	28.9%
2	Corbyns International	22,315,851	16.1%	20.4%
3	Anova Corp	15,299,269	11.0%	8.0%
4	NBB Investment Corp	13,938,893	10.0%	0.7%
5	AnPhat Plastic and Green Env	9,527,232	6.9%	17.9%
	Total	**101,127,086**	**72.8%**	

The Class C Shares portfolio returned -4.29% in 2017, predominantly due to a decrease in the valuations of GreenFeed and Anova Corporation as both companies were affected by a slowdown in the Vietnamese feed industry caused by China's ban on pig imports from the country. However, this was partially offset by an increase in market values of An Phat, NBB, Binh Chanh Construction (BCI), and Ha Do Group (HDG).

In 2017, An Phat's share price gained 41.4%[15] due to an increase in exports to overseas markets, a change of listing to the Ho Chi Minh Stock Exchange, and an increase in the foreign ownership limit from 32% to 51%, while the gain in NBB's share price of 36.7%[15] was mainly due to Ho Chi Minh City Infrastructure Investment JSC (CII), a major shareholder in NBB, increasing its stake to over 30%.

BCI and HDG, which are smaller illiquid holdings representing 4.6% and 3.9% of the portfolio respectively, also contributed positively to the portfolio's performance with an increase in market value of 51.8% and 44.3% respectively.

[15] Source: Bloomberg

The share price of BCI rallied towards the end of 2017 after the company announced that Khang Dien House (KDH), the largest shareholder of BCI, intends to merge KDH and BCI in a share swap transaction[16]. Meanwhile, HDG performed well during the year due to strong sales for its Centrosa Garden project and the share divestment by the Ministry of Defence, which held an approximately 10% stake in HDG prior to the divestment.

The Company's Private Equity ("PE") investments are re-valued on a semi-annual basis based on valuations provided by Grant Thornton Vietnam.

1. GreenFeed Vietnam Corporation

In May 2010, the Company made a USD9.5 mn investment in GreenFeed Vietnam Corporation (GFVN), a leading producer of animal feed. The investment was made via USD4.0 mn in secondary shares and USD5.5 mn in a convertible instrument, for a fully diluted 17.2% stake in the company. In June 2014, the Company invested USD0.7 mn to purchase additional secondary shares and converted the existing convertible instrument into shares. This increased the Company's fully diluted stake in GFVN to 17.9%. To date, the Company has received approximately USD13.1 mn in dividends from Greenfeed.

GFVN is the second largest domestic player in animal feed competing against large foreign companies including Charoen Pokphand of Thailand and Cargill of US. GFVN is among the top five players (including foreign companies) who collectively account for approximately 60% of total market share. Given the highly fragmented nature of the market, GFVN is gearing up to capture a larger share in the next few years. As of end-December 2017, GFVN has reached an annual capacity of 1.8 million tonnes of feed.

GFVN's 2017 full year earnings results are not available at the time of writing this report. For 9M2017, net sales were down 7.4% YoY due to falling prices of pork, caused by China's temporary ban on pig imports from Vietnam. GFVN profit margins also fell due to lower feed prices, and increased incentives for distributors to sell its feed products and maintain market share. Although China has relaxed the ban on pig imports from Vietnam, the country's pork industry has not recovered to the levels prior to the ban, and is only expected to recover gradually during 2018. Nonetheless, the sudden and steep slowdown can be seen as positive for large feed players such as GFVN because it has accelerated the shift from backyard farms to larger scale farms to which GFVN can provide a packaged solution comprising of pig genetics, animal feed and farm management techniques that would increase productivity. Therefore, in the long term, GFVN will be able to gain market share at the expense of smaller-scale feed players that are unable to offer other value-added solutions, and hence exit the market.

There is currently no trading market for shares in GFVN. As of 31 December 2017, the valuation of the Company's position stood at USD40.0 mn compared to USD58.2 mn at 31 December 2016. This is due mainly to the current valuation methodology which is consistent with the methodology used in prior years and uses a simple average of the income approach and the market approach. While the income approach is forward looking and factors in the recovery of the feed industry, the market approach utilises historical earnings, which in this case were negatively impacted by the extraordinary event of China's ban of pig imports. Therefore, the net effect was an overall decrease in valuation at 31 December 2017 compared to 31 December 2016, similar to the valuation of other private equity investments.

[16] Source: BCI Announcements

2. Corbyns International Limited

In February 2013, the Company invested USD 12.2 mn via a convertible loan in Corbyns International Limited ("Corbyns"), which owns Vietnam Industrial Investments (VII). Listed on the ASX, VII is a leading steel manufacturer, primarily manufacturing wire rods and rebars used in construction and infrastructure projects. In September 2017, the Company committed an additional USD2.5 mn for the restructuring of VII that is expected to be completed in the next 12-18 months. The Company indirectly owns up to 33.2% of Corbyns. To date, Corbyns has paid USD5.4 mn of interest to the Company.

This investment is a special situation opportunity which resulted in favourable terms for the Company. Corbyns is amongst the top five steel manufacturers in Vietnam which together control more than 50% of the market. VII's key brands are well recognized in the marketplace and they remain the leading brand in their own product segments. VII maintains a robust distribution platform that includes 30 tier 1 distributors and 100 tier 2 distributors across all regions of Vietnam; they are however, particularly strong in Northern Vietnam.

There is currently no trading market for the convertible loan. As of 31 December 2017, the Company's position was valued at USD22.32 mn.

3. Anova Corporation

In May 2011, the Company made a USD 8.7 mn investment in Anova Corporation ("Anova") via 3-year convertible bonds, extended for another two-year period through 2015. In June 2012, the Company invested USD1.7mn, exercising its pre-emptive right to subscribe to ordinary shares via a rights issue for Anova to acquire an animal feed company. In September 2015, the Company invested USD2.2 mn via a second rights issue for Anova to expand the animal feed business. The synergies available between feed, feed additives and animal health products will create opportunities over the next few years for Anova to gain market share and penetrate new markets. The International Finance Corporation closed its USD15 mn convertible investment in June 2016. As such, the Company's total fully diluted stake in Anova is 16.3%. To date, the Company has received approximately USD3.4 mn of dividends and interest from Anova.

Anova is the leading manufacturer of veterinary health products in Vietnam as well as the leading importer and distributor of raw materials for the animal health and feed sectors. Anova maintains a market share of 17% in the manufacturing and sale of finished veterinary products with the next closest competitor, Vemedin, at 12% of the total market.

Anova's 2017 full year earnings results are not available at the time of writing this report. For 9M2017, net sales decreased 7% YoY and net income decreased 63.4%. Similar to GFVN, Anova was exposed to the temporary slowdown in the Vietnamese feed industry. In order to further diversify its business and improve profits, Anova has recently ventured into food processing, collaborating with a local slaughterhouse to sell meat from Anova's pig farm that is GLOBALG.A.P certified, the first in Vietnam.

There is currently no trading market for the Anova convertible bonds or ordinary shares. As of 31 December 2017, the Company's position was valued at USD15.30 mn.

4. NBB Investment Corporation JSC

In December 2010, the Company invested USD10.7 mn in redeemable convertible preference shares ("RCPS") issued in a private placement by NBB Investment Corporation JSC (NBB). In August 2013, the Company invested USD1.2 mn in NBB's rights issue to subscribe to additional ordinary listed shares. In October and November 2013, the Company received the first instalment of USD1.48 mn from NBB as compensation for financial underperformance. In December 2013, the Company's RCPS were converted into ordinary listed shares. In July 2014, the Company invested USD1.2 mn in NBB via a rights issue. In December 2014, the Company received USD0.5 mn from NBB for financial underperformance. In September 2015, the Company invested USD2.4 mn in convertible bonds. In May 2016, the Company received USD0.5 mn from NBB for financial underperformance. In August 2017, the Company invested USD1.7 mn in NBB via a rights issue. The Company's fully diluted stake in NBB is 14.7% and is currently held in listed shares and convertible bonds. To date, the Company has received approximately USD3.9 mn of dividends and interest from NBB.

Listed on the HOSE, NBB is an investment holding company focused on developing Grade C residential property that is typically priced at USD 700-1,000/sqm. NBB is a play on fundamental trends such as rising urbanization and a growing middle class that are stimulating demand for affordable housing in Vietnam, particularly in Ho Chi Minh City. The company's large, low-cost land bank and a pipeline of projects, leave it well-positioned to become a direct beneficiary of these trends. In 2017, CII, a major shareholder in NBB, had increased its stake to over 30%.

2017 full year earnings results are not available at the time of writing this report. For 9M2017, net sales increased 2519% YoY to VND 804.2 bn as NBB delivered units of City Gate Towers to customers and were then able to recognise revenues from the sales of these units. In 2017, NBB also sold 100% of the units for the Diamond Riverside project and the company expects revenue recognition for Diamond Riverside to occur in 2019.

As of 31 December 2017, the Company's position was valued at USD 13.94 mn.

5. An Phat Plastics and Green Environment JSC

At the end of 2007, the Company made a USD2.0 mn equity investment in An Phat Plastics and Green Environment JSC ("An Phat"). In April 2009, the Company made a follow-on investment of USD 2.8 mn via a convertible bond to fund An Phat's expansion plans.

An Phat is the largest plastic recycler in North Vietnam. The recycled plastic is manufactured into bio-degradable plastic bags and re-usable plastic bags for both the domestic and international markets.

An Phat was listed on the Hanoi stock exchange in 2010, the Company exited its equity portion by selling the shares in the open market. In December 2012, the convertible bond of An Phat was partially redeemed and the balance was favourably restructured into ordinary listed shares of An Phat. In September 2014, the Company invested USD1.4 mn in An Phat via a rights issue. In November 2016, An Phat was delisted from Hanoi stock exchange and listed on the HOSE. In May 2017, the company increased its foreign ownership limit from 32% to 51%. The Company currently owns 7.82% of An Phat. To date, the Company has invested USD6.2 mn in An Phat and realised USD5.5 mn. The Company's current position was valued at USD9.53 mn based on stock price as of 31 December 2017.

In 2017, An Phat's stock price increased by 41.4% to VND 33,100/share on the back of increasing exports to overseas markets, a change of listing to the HOSE, and the increase in foreign ownership limit ("FOL"). Besides, An Phat's net sales increased 89.8% YoY to VND 4,070 bn due to volume growth and net income increased 57.3% YoY to VND 223 bn.

6. VTC Online

In July 2012, the Company made a USD10.0 mn investment via subscription of ordinary shares, in VTC Online, an online games publisher in Vietnam. The Company owns 19.5% of VTC Online.

VTC Online's 2017 full year earnings results are not available at the time of writing this report. For 9M2017, net sales decreased 70% YoY due to loss of social games. The company underwent a cost rationalisation exercise last year and now is re-focusing its resources to the mobile space namely in three areas: i) games, ii) education, and iii) ecosystem platform.

There is currently no trading market for the ordinary shares. As of 31 December 2017, the Company's position was valued at USD 8.94 mn.

IV. Economic Overview

GDP exceeded the government's target and consensus estimates – Vietnam's GDP grew 6.81% YoY in 2017,[17] surpassing the 6.21% growth in 2016 and the government's target of 6.7%, despite sluggish growth in the first half of the year. All three main sectors of the economy[18] grew robustly, driven by a rebound in the agriculture sector and strong foreign direct investment (FDI) inflows which boosted the manufacturing and export sectors. Among the three sectors, Industry & Construction registered the highest growth of 8.0% YoY, contributing the largest proportion to the overall increase.[17] The manufacturing and processing subsector was key to this, growing 14.4% YoY.[17] The expansionary trend in manufacturing is reflected by the Purchasing Manager Index, which has remained above the 50 threshold for 15 consecutive months. The Services sector grew 7.4% YoY, the highest growth since 2011, driven by resilient consumer demand and a surge in tourist numbers.[17] Finally, Agriculture, Forestry and Fishery recovered from 2016's poor performance (+1.4% YoY) with a 2.9% YoY rise in 2017, the highest level in three years, despite negative effects from the pork price crisis and unfavourable weather conditions.[17]

Inflation was low and stayed below the government's cap of 4% – The country's inflation rate rose only 2.6% YoY in 2017.[17] Inflation during the first half of the year was depressed due to a decline in prices of pork and chicken eggs due to oversupply and China's ban on pig imports. However, it picked up in December due to upward adjustments in the prices of healthcare services and electricity.[17] Meanwhile, total estimated retail sales of consumer goods and services in 2017 rose 10.9% over the previous year (an increase of 10.1% in 2016), if excluding the price factor, the growth rate was 9.46%, higher than 2016's growth rate of 8.33%.[17] Such growth in a low inflationary environment is reflective of high consumer confidence and strong purchasing power in the economy.

[17] Source: General Statistics Office of Vietnam
[18] Agriculture, Industry & Construction and Services sectors

Aggressive credit growth but not excessive so as to be inflationary – According to the State Bank of Vietnam ("SBV"), credit growth for the entire system in 2017 reached 17% YoY compared to 18.7% YoY in 2016.[19] The growth was driven by several factors including the Prime Minister's determination for high credit growth and the low inflationary environment which allowed the SBV to revise credit growth quotas upwards for a number of banks. For instance, Vietnam's three largest banks, namely Vietcombank, Vietinbank and Bank for Investment & Development (BIDV), finished 2017 with credit growth of 18%, 19% and 20%, respectively. Smaller but fast-growing banks such as Military Bank and VP Bank also showed credit growth of 22% and 23%, respectively.

While in a full-blown growth cycle, the banking system continued its structural reforms in 2017. Non-performing loans (NPLs) of credit institutions were controlled effectively in 2017, reducing the NPL ratio of the entire banking system to 2.3% from 2.46% in 2016.[19] This was after the issuance of a number of resolutions by the National Assembly to improve the legal frameworks for restructuring credit institutions and bad debt. A bankruptcy resolution was also passed to allow banks to declare bankruptcy from January 2018, subject to SBV approval. This is a positive development as it instils discipline and prudence for banks, avoiding the moral hazard of relying on "guaranteed" interventions by the SBV. During the year, credit rating agencies Fitch and Moody's upgraded Vietnam's sovereign credit rating from Stable to Positive, while maintaining Vietnamese big banks' outlook at Stable or Positive (with the exception of Sacombank which has a Negative rating from Moody's).

Highest trade growth in six years – Trade balance recorded an estimated surplus of USD2.7 billion for 2017, compared to a trade surplus of USD 2.1 billion in the same period last year.[20] Both imports and exports recorded the highest growth in six years. Exports were robust, picking up 21.1% YoY during 2017, of which foreign-invested enterprises was the largest contributor with 71% of exports.[20] The export hike was mainly attributed by mobile devices and accessories (+31.4% YoY) and electronics (+36.5% YoY), growing strongly from the lower base of 2016 due to Samsung's Note 7 battery incidence.[20] At the same time, labour-intensive manufacturing exports such as garments, textiles and footwear also posted an 8.8% YoY and 12.6% YoY growth, respectively.[20] The American market is still the largest buyer of Vietnamese exports totalling USD41.5 bn (+8% YoY), followed by the EU market with USD38.3 bn (+12.8% YoY) and China with USD35.3 bn (+60.6% YoY).[20] The implementation of Free Trade Agreements (FTA) such as the Vietnam-South Korea FTA and ASEAN Economic Community (AEC) helped boost trade between Vietnam and the respective markets. Notably, South Korea surpassed China to record the largest trade surplus with Vietnam following the implementation of the Vietnam-South Korea FTA. Meanwhile, import turnover grew 20.8% YoY and reached USD211.1 billion.[20] Investment into manufacturing machinery and electronic equipment were the key drivers of FDI growth.

We expect the strong momentum of imports and exports to carry on in 2018, driven by FTAs, FDI inflows, positive economic outlook for export partners, domestic demand, and stronger global currencies against the USD.

Foreign investment inflows remained robust with registered FDI reaching USD 35.9bn (+44% YoY) in 2017, more than double the figure recorded two years ago.[20] Most of the contribution came from mega projects in the power generation sector, in light of Vietnam's 15-year master plan to triple the country's electricity generation capacity. The manufacturing sector also continued to receive strong FDI inflows from South Korea, Japan and Singapore, especially in mobile phones and electronic components.

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[19] Source: State Bank of Vietnam
[20] Source: General Statistics Office of Vietnam

Although Japan overtook South Korea as the largest source of FDI in 2017 thanks to the Nghi Son 2 and Van Phong 1 thermal power plants and the Block B – O Mon gas pipeline,[21] South Korea remains the top historical investor in Vietnam with cumulative investment of USD57.7 bn since 1988, vs Japan's USD49.5 bn, and is expected to regain its position in 2018.[21] Given that 80% of FDI flows come from Asian investors, we do not expect the U.S's protective policies to have a significant impact in 2018. Besides, Vietnam's competitive fundamentals, improvements in regulations and business environment and deep trade integration makes it an attractive long-term FDI destination. Going forward, there are expectations that the Government will encourage FDI into more environmentally friendly and high-tech projects to facilitate sustainable growth.

Thanks to the trade surplus and strong capital flows, the VND was one of the most stable currencies in the region in 2017. It depreciated 0.28% against the USD in light of the three interest rate hikes by the U.S Federal Reserve.[22] USD inflows were also ample, supported by strong foreign inflows from FDI disbursements, net inflows into the bond and stock markets, specifically the SCIC's divestments from Sabeco and Vinamilk. The SBV took the opportunity to strengthen its foreign reserves by purchasing around USD13 bn from commercial banks.[23] As of end 2017, Vietnam's foreign reserves totalled USD52 bn, equivalent to almost 3 months of imports.[21]

Vietnam Economic Indicators

		2015	2016	2017	2018F*
Real GDP Growth	%	6.7	6.2	6.7	6.5
CPI	%	0.9	4.7	2.6	4.0
Export Growth	%	8.1	9.0	20.6	15.0
Import Growth	%	12.0	5.2	21.3	13.5
Trade Balance	$bn	-3.5	2.7	2.3	2.0
Registered FDI	$bn	15.6	21.0	35.9	-
FX Reserve	$bn	31.0	41.0	52.0	62.0
USDVND		22,540	22,761	22,968	22,700

*Source: Duxton estimates

Best stock market performance among Emerging Market and ASEAN peers – The Vietnamese stock markets recorded gains of 48.4% (VN Index) and 46.3% (VH Index) in USD terms for 2017, the highest among regional peers including India, Thailand, Philippines and Indonesia.[22] The top 5 largest stocks in terms of market capitalisation (Vinamilk, Vingroup, PetroVietnam Gas, Vietcombank and Vietinbank) contributed more than 52% of the index's return.[22] In addition, new blue-chip listings such as Vietjet Air, Petrolimex, Vincom Retail and VP Bank were also positive contributors, all of which were very highly sought after and oversubscribed.

The wave of IPOs and SCIC divestments in 2017, as we expected a year ago, as well as foreign ownership limit (FOL) relaxation, have provided investors with a wide range of opportunities. Instead of mainly focusing on FOL stocks with limited supply (which used to account for an important part of returns), investors have turned their attention to newly listed, quality and high growth potential companies, with considerable float to be investible.

[21] Source: General Statistics Office of Vietnam
[22] Source: Bloomberg
[23] Source: State Bank of Vietnam

During 2017, average daily trading value on HOSE was nearly USD 150mn, surpassing that of USD89 mn in 2016 and the Philippines' USD 98mn.[24] Foreign net inflows into the Vietnamese stock markets hit USD 1 bn, slightly below that of the Philippines, but exceeding Indonesia (net outflows of USD3 bn) and Thailand (net outflows of USD800 mn)[24].

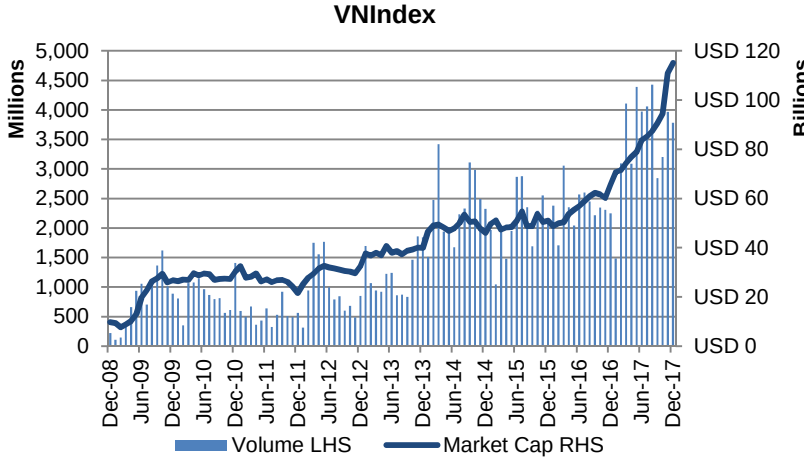
In terms of sector, consumer staples were the strongest contributors, led by Vinamilk (71.9%), Sabeco (26.1%) and Masan (86.1%).[24] In second place, financials also outperformed with Vietcombank (+56.5%), Asia Commercial Bank (+109.7%), BIDV (+85.3%), Vietinbank (73.8%) and Military Bank (+98.6%).[24] The real estate sector came in third, led by VIC (+84.0%)[24], especially after the listing of its subsidiary Vincom Retail. These three top performing sectors have witnessed significant increases in their index weights over the past 10 years, becoming the three largest sectors in the index, replacing materials and industrials. Notably, Vietnam now has a thriving aviation sector that provides services to both passengers and industrials, with large cap stocks such as Vietnam Airlines and Vietjet Air, but also smaller cap, auxiliary service providers such as Saigon Cargo Services, Saigon Ground Services and Noi Bai Cargo Terminal Services.

Valuations have increased significantly with the trailing price to earnings (P/E) ratio of the VN Index rising to 19.2x at the end of 2017, surpassing that of Thailand at 16.9x[24]. This is a significant re-rating compared to 16.5x in 2016 and 11.4x in 2015,[24] as we have expected for many years. The Vietnamese stock market performance in 2017 has led us to question whether a bubble exists or just a re-rating. While assessing Vietnam's market valuation, one should bear in mind that firstly, most global markets were up together in 2017. Secondly, a study of the VN Index's historical P/E suggests that the current valuation level is still quite reasonable despite the market rally in 2017. Thirdly, Vietnamese companies' earnings growth remain solid, with 19.5% earnings per share growth in 2017 and 18.6% estimated for 2018, resulting in a 2018 price earnings to growth (PEG) ratio of 0.8x for the VN Index.[25] Lastly, a few outliers distorted the VN Index's P/E level, namely Sabeco (2018F P/E of 32x) and Faros Construction (90x), without which the index's P/E would have been closer to 17.5x.[24]

On a regional basis, Vietnam's valuation is still lower than the Philippines PCOMP index of 23.1x.[24]

		Mkt Cap (USD bn)	2017 P/E	2018 Forward P/E	PEG	Div Yield	ROE
Indonesia	JCI	528	23.8	14.8	1.6	2.0%	17.5%
Thailand	SET	557	18.2	14.8	1.7	2.8%	11.0%
Singapore	FSSTI	447	11.1	13.5	1.5	3.3%	10.5%
Malaysia	FBMKLCI	277	16.3	15.3	3.9	3.3%	10.1%
Philippines	PCOMP	214	23.1	17.3	1.5	1.5%	11.9%
Vietnam	**VNINDEX**	**123**	**19.2**	**15.1**	**0.8**	**1.8%**	**16.5%**

[24] Source: Bloomberg
[25] Source: Thomson Routers – I/B/E/S forward EPS growth



VN Index Historical P/E

V. Outlook and Strategy

Although Vietnam will find it challenging to replicate 2017's excellent GDP performance in 2018, the Vietnamese Government is determined to strive for it. The Government's Resolution 1/NQ-CP dated 1 January 2018 outlined several key targets for 2018, including GDP growth of 6.7% and average inflation of 4%. While growth is largely influenced by external factors such as FDI and imports/exports, the Government has at their disposal several tools to manage growth, one of which is credit growth, targeted at 17-18% in 2018. The Asian Development Bank has a consistent but more conservative target, forecasting Vietnam's GDP to grow at 6.5% for 2018,[26] supported by strong FDI inflows into the manufacturing sector, greater global demand for Vietnamese exports and healthy foreign reserves to keep the exchange rate stable against the USD.

[26] Source: Asian Development Bank Report 2018

There is also optimistic sentiment for the stock markets, driven by further SCIC divestments and new IPOs by both state-owned and private companies. Despite the current high valuation of the VN Index, we think it is justified, provided that company earnings grow in excess of 19%, supported by high consumption, flexible and prudent monetary policy, and strength in exports.

Listed Equites

The Class A Shares portfolio's objective is to seek long-term capital appreciation for investors. Therefore, the Investment Manager's selection process focuses on identifying companies with sustainable growth potential, solid economic moat, and effective management with good track record and sound corporate governance. This rigorous and prudent approach has been proven to drive the Company's long-term outperformance and ability to weather multiple downturn cycles well.

Despite an excellent year of gains in 2017 which led to a significant P/E re-rating, the Vietnamese stock market is still relatively attractive in our view, given a PEG ratio that is less than 1. In addition, as Vietnam grows to become an 'investible' market from the perspective of global investors – with sizeable market capitalisation, market depth and liquidity, we continue to foresee new regional and global inflows into Vietnam.

As the economic scene provides confidence and optimism on growth, we expect a few main themes below to drive the Vietnamese listed equity market in 2018.

First, we see a shift of focus from pure IPOs (primary equity issuance raising new money) to more divestments of state-owned companies (secondary transactions), which might already be listed on one of the stock exchanges. There have already been three divestments by PetroVietnam from Binh Son Refinery, PV Oil and PV Power, all three via an auction process, collecting more than USD 700mn in January 2018.[27] The Vietnamese Government has given approval for more share divestments to be carried out in 2018/19 in its companies including PetroVietnam Gas, Petrolimex, Phu My Fertilizer, Vinamilk, Ha Noi Beer, Airport Corporation of Vietnam, Vietnam Airlines, Viglacera, Tien Phong Plastics, Binh Minh Plastics and FPT Corp. Some of these companies do not have strong fundamentals and may result in unsuccessful divestments. However, successful divestments are expected to bring changes to management dynamics and provide more market depth and liquidity. The progress of these divestments will depend on several factors including politics, leadership and decision-making power, government expenditures and funding.

In addition, private company IPOs/listings are also expected in 2018, including that of Techcombank, TP Bank, Orient Commercial Bank and FPT Retail.[28]

Another development regarding SCIC divestments is the Government's in-principle approval for these transactions to be carried out by a book building process instead of a previously mandatory dutch auction. An issue with how Vietnam conducts dutch auctions is that it often results in buyers paying an excessive premium for the assets or being blocked out due to technical or burdensome paperwork reasons. A book building process on the alternative, will facilitate a better marketed offering and create a more investor-friendly environment for new listings. It might take some time for the book building framework to be implemented.

Whichever is the method, the Investment Manager has been successful in IPO participation and allocation for the Company over the past two years, providing investors with early access to

[27] Source: HOSE and Ha Noi Stock Exchange
[28] Source: State Capital Investment Corporation

investments with high potential for attractive returns. The Investment Manager will continue to selectively participate in IPOs/divestments in 2018.

Second, we expect the fundamentals of banking sector to continue outperforming in 2018, driven by high credit growth on the back of an expanding economy, stable interest rates, improving asset quality leading to lower provision expenses or even reversals, and increasing income from ancillary services (fee income, bancassurance, consumer finance). One major risk to the banking sector is the potential need to recapitalise in compliance with Basel II's prudential ratios, which however, will not be applicable before 2020 according to Vietnamese regulations. Weighing risk and return profiles, the Investment Manager will selectively increase allocation to banks with retail exposure and prudent practices.

Third, we continue to see earnings growth for our long-term preferred sectors, namely, consumer products, steel, real estate and tourism, led by stable inflation, consumer confidence and FDI growth. Despite the recent P/E re-rating, forecasted earnings growth of our selected stocks still results in attractive PEG ratios. Large cap stocks are likely to attract attention again this year due to their wide coverage and liquidity; however the Government will monitor market heat closely and intervene with tools such as margin level if necessary. This could weaken interest in large cap stocks and allow a number of small cap stocks with reasonable liquidity to gain some traction. Corporate governance is one of the key investment risks that we will continue to monitor closely in 2018 and beyond.

Fourth, as Vietnam approaches a potential review for an upgrade in its MSCI classification to "Emerging Market" status from "Frontier Market", we expect progressive inflows of foreign capital to occur. We have begun seeing strong interest and inflows from a number of existing and new foreign investors, both institutional and retail, from several countries in and outside of Asia. However, the levels in 2018 might not par those in 2017 due to the presence of exceptionally large deals last year such as Vinamilk and Sabeco. According to MSCI's assessment criteria, Vietnam satisfies the Emerging Markets requirements in terms of market capitalisation, overall trading liquidity and frequency of trading.[29] However, the country will still need to work on satisfying criteria such as free float, foreign access, transparency of reporting (in English), accounting standards and development of an offshore currency market. The Government is working on these issues by means of SCIC divestments, new laws on securities and reporting, and others. Hence, we do not expect the MSCI to add Vietnam into the watch list in 2018, but likely in 2019 or even 2020.

Private Equity

The investment objective for the Class C Shares portfolio is to realise the assets in an orderly manner that seeks to achieve a balance between maximising the value of the portfolio and returning cash to shareholders promptly by means of pro-rata redemptions of the Class C Shares. The Investment Manager is working towards achieving liquidity for each investment in the portfolio. As the portfolio comprises of meaningful stakes in leading companies in Vietnam, the Investment Manager believes there will be interest shown by financial investors as well as strategic investors.

In 2017, the liquidation plans for GreenFeed and Anova experienced a setback as both companies were negatively impacted by a slowdown in the Vietnam feed industry. However, with the expected recovery of the pork and feed industries in 2018, the performance of GreenFeed and Anova should start to improve.

[29] Source: This refers to the proportion of trading days where a stock trades at least once during the day. The minimum requirement is 80%

The Company also holds large and strategic positions in NBB and An Phat, and both companies have performed well in 2017. The Investment Manager is working closely with the management of both companies to execute their strategic plans and intends to sell the Company's positions in the next 12-18 months. Meanwhile, Corbyns is expected to undergo a restructuring (de-listing and re-listing) within the next 12-18 months, which the Investment Manager believes will provide an opportunity for the Company to exit. VTC Online has also undergone a restructuring and cost rationalization exercise over the past year, and the Investment Manager is actively working towards a liquidation plan.

The remaining listed equity investments held by the Class C Shares portfolio are illiquid with minimal trading on the exchanges. The Investment Manager has engaged a securities firm to sell the smaller illiquid listed investments.

It is the intention of the Investment Manager to recommend a mandatory pro-rata redemption of the shares as and when investments are realised.

VI. Risks in 2018

Whilst the Investment Manager is fully aware of the inherent risks of investing in an emerging market such as Vietnam, additional attention should be drawn to the following uncertainties and principal risks which could adversely impact the Company's performance over the next 6-12 month period:

Stock market running ahead of valuations based on SCIC divestment pipeline – As the SCIC has outlined its divestment plan for 2018 with many high profile companies in the pipeline, the Government plans to equitise 64 enterprises and divest from 181 companies. Despite a successful year of divestments in 2017, there were delays for a handful of company sales due to legal and management issues. Hence, there is a risk that some companies in the 2018 pipeline may also experience delays and fail to equitise before the deadline. Other risks such as lower interest in lesser known companies from local and foreign investors may also weaken market sentiment, which could destabilise an overly optimistic stock market. This also makes the stock market more susceptible to volatility and further exacerbated by external impacts from the global macro environment.

Recapitalisation of banks in compliance with Basel II – The banking reform roadmap for 2016-2020 stipulates 2017-2018 to be the deadline to test-implement Basel II across 10 commercial banks.[30] Basel II is a set of international banking regulations put forth by the Basel Committee on Bank Supervision, which sets minimum capital requirements for banks and requires banks to apply risk management methods such as supervisory review and market discipline. One of the requirements of Basel II is that banks must have a capital adequacy ratio (CAR) of above 8% based on stricter criteria. Under the old framework (Basel I), the CAR of most banks is currently above this threshold, however it is expected to fall under the Basel II framework. The big four State-owned banks Vietcombank, BIDV bank, Vietinbank and Agribank are most susceptible to this, with current CAR of 9% but likely to fall below 8% under the new standards. In order to meet these requirements, banks will have to raise new Tier-1 equity capital. A significant risk with these banks' recapitalisation plans is that investors and strategic partners may be disincentivised to pay a premium, given that the average share price of the three listed state owned commercial banks have increased 64.5%[31] in 2017. Delays in recapitalisation would limit banks' growth ability and be disruptive to the economy.

[30] Namely, BID, CTG, VCB, TCB, ACB, VPB, MBB, Maritime Bank, STB, and VIB
[31] Source: Bloomberg

Over-reliance on the world economy and foreign invested sector – Vietnam has benefitted from being a top destination for FDI with many international corporations establishing a foothold in the country. However, the domestic sector lags significantly behind the strong performance of the FDI sector, with low levels of linkages and transferability of skills and knowledge between them. Vietnam currently runs the risk of being sucked into the middle-income trap where the country begins to start losing its competitive edge in manufacturing on the back of rising wages and thus unable to keep up with economies that transition to high-value added markets. The Government needs to ensure that the economy is restructured in a way to avoid this trap, but rather aim to emulate the economics of Singapore, South Korea and Taiwan.

VIETNAM PHOENIX FUND LIMITED

List of holdings as of December 31, 2017 (Unaudited)			
Share Class	**Security Name**	**Ticker**	**Value (USD)**
Class A			**67,703,621**
	COTECCONS CONSTRUCTION JSC	CTD VN Equity	1,601,329
	DAT XANH REAL ESTATE SERVICE	DXG VN Equity	442,387
	FPT CORP	FPT VN Equity	8,046,109
	GTNFOODS JSC	GTN VN Equity	1,408,549
	HO CHI MINH CITY SECURITIES	HCM VN Equity	1,251,164
	HD BANK	HDB VN Equity	2,959,179
	HOA PHAT GROUP JSC	HPG VN Equity	6,524,898
	HOA SEN GROUP	HSG VN Equity	3,777,588
	KINH BAC CITY DEVELOPMENT SH	KBC VN Equity	3,765,324
	KIDO FROZEN FOODS	KDF VN Equity	377,758
	KHANG DIEN HOUSE TRADING AND	KDH VN Equity	3,722,233
	MOBILE WORLD INVESTMENT CORP	MWG VN Equity	3,421,264
	PETROVIETNAM NHON TRACH 2 PO	NT2 VN Equity	2,057,911
	NO VA LAND INVESTMENT GROUP	NVL VN Equity	2,421,047
	REFRIGERATION ELECTRICAL ENG	REE VN Equity	1,864,035
	SAIGON SECURITIES INC	SSI VN Equity	1,058,828
	THIEN LONG GROUP CORP	TLG VN Equity	1,883,548
	BANK FOR FOREIGN TRADE JSC	VCB VN Equity	1,335,918
	VIETCAPITAL SECURITIES JSC	VCI VN Equity	858,690
	VINH HOAN CORP	VHC VN Equity	2,422,194
	VIETNAM DAIRY PRODUCTS JSC	VNM VN Equity	10,204,581
	VIETNAM ENTERPRISE INV LTD-C	VEIL LN Equity	4,348,539
	VIETNAM CONTAINER SHIPPING	VSC VN Equity	1,950,548
Cash and others			**2,948,376**
Total before Redemptions			**70,651,997**
Redemptions for 31st December 2017 NAV			**(1,091,891)**
Total after Redemptions			**69,560,106**

* Numbers may not add up due to rounding

VIETNAM PHOENIX FUND LIMITED

List of holdings as of December 31, 2017 (Unaudited)			
Share Class	Security Name	Ticker	Value (USD)
Class C			**134,071,820**
	ANOVA CORPORATION - CB	NA	9,504,866
	ANOVA CORPORATION - ordinary shares	NA	5,794,403
	ANPHAT PLASTIC AND GREEN ENV	AAA VN Equity	9,527,232
	BINH CHANH CONSTRUCTION	BCI VN Equity	6,349,990
	CAN DON HYDRO POWER JSC	SJD VN Equity	1,222,719
	Corbyns International Limited (VIETNAM)	NA	22,315,851
	DINH VU PORT INVESTMENT & DE	DVP VN Equity	1,744,595
	GREENFEED - ordinary shares	NA	40,045,841
	HA DO JSC	HDG VN Equity	5,442,384
	NATIONAL SEED JSC	NSC VN Equity	2,861,421
	NBB INVESTMENT CORP	NBB VN Equity	10,304,285
	NBB INVESTMENT CORP - CB	NA	3,070,558
	S.S.G. GROUP JOINT STOCK COMPANY	NA	1,540,190
	TIEN PHONG PLASTIC JSC	NTP VN Equity	5,403,763
	VTC Online	NA	8,943,722
Cash and others			**4,883,983**
Total			**138,955,803**

* Numbers may not add up due to rounding

Duxton Asset Management Pte Ltd
April 2018

VIETNAM PHOENIX FUND LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

Opinion

We have audited the financial statements of Vietnam Phoenix Fund Limited (the "Company"), which comprise the statement of financial position as at 31 December 2017, the statements of comprehensive income, changes in net assets attributable to holders of redeemable participating shares and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS CONT/D

Valuation of financial instruments (US$209,598,752) (2016 - US$373,880,460)

Refer to page 42 to 43 (accounting policy) and pages 69 to 74 (financial disclosures)

Description of the key audit matter

The Company's investment portfolio is the key driver of capital and revenue performance. Accordingly, we identified the following matters that were of most significance in the audit of the financial statements, the risk of:

- Incorrect valuation of the investment portfolio, in particular for the private equity investments held.

We have addressed the key audit matters as follows:

- We documented the processes in place to record investment transactions and to value the portfolio, including assessing the design and implementation of controls relevant to the valuation, completeness and existence of investments;
- We agreed all year end prices for listed equities and collective investment schemes to an independent source;
- For unlisted private equity and convertible debt investments the Company engaged a valuation expert to determine the fair value of the unlisted private equity and convertible debt investments. For a sample of private equity investments, we engaged a valuation specialist to assist us in critically assessing and challenging management's fair value determination and the significant assumptions applied by the Company.
- For all other private equity and convertible debt investments, we assessed the appropriateness of the valuation basis applied as well as the underlying assumptions, such as discount factors, and the choice of benchmark for earnings multiples; and compared key underlying financial data inputs to external sources, investee company audited accounts and unaudited management information, as applicable.
- In addition, we considered the appropriateness of the disclosures relating to unquoted investments, having regard for the requirements of IFRS.
- Based on our assessment of information obtained from our procedures, we concluded that judgments relating to the valuation of investments were reasonable.

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS CONT/D

Other Information

Management is responsible for the other information. The other information comprises the information included in the Investment Manager's Report for the Year Ended 31 December 2017 and the Supplemental Unaudited Information to the Financial Statements but does not include the financial statements and our auditors' report thereon.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS CONT/D

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Claire Griffin.

KPMG
P.O. Box 493
Century Yard, Cricket Square
Grand Cayman KY1-1106
Cayman Islands

27 April 2018

VIETNAM PHOENIX FUND LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	31/12/2017 US$	31/12/2016 US$
Income			
Net gain on investments at fair value through profit or loss	2(f), 3	31,166,115	78,364,729
Total income		**31,166,115**	**78,364,729**
Operating expenses	4	(10,488,764)	(22,408,305)
Profit for the year		**20,677,351**	**55,956,424**
Increase in net assets attributable to holders of redeemable participating shares resulting from operations		**20,677,351**	**55,956,424**

Earnings/(Loss) per Share	**Class A Shares 31/12/2017**	**Class B Shares 31/12/2017**	**Class C Shares 31/12/2017**	**31/12/2016**
Basic	17.24	3.20	(1.47)c	13.19c
Diluted	17.24	3.20	(1.47)c	13.19c
Weighted average shares outstanding				
Basic	141,217,357	80,555,793	423,750,000	424,090,672
Diluted	141,217,357	80,555,793	423,750,000	424,090,672

On behalf of the Board of Directors

Director

27 April 2018

The accompanying notes form an integral part of these financial statements.

VIETNAM PHOENIX FUND LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Notes	31/12/2017	31/12/2016
		US$	US$
Assets			
Cash and cash equivalents	6	3,594,570	1,238,012
Accounts receivable	7	-	1,049,199
Financial assets at fair value through profit or loss	16	209,598,752	373,880,460
Total assets		213,193,322	376,167,671
Equity	2		
Share capital	9	-	4,237,500
Share premium		-	437,516,980
Capital redemption reserve		-	21,193,061
Retained losses		-	(91,249,986)
Total equity		**-**	**371,697,555**
Liabilities			
Accounts payable	8	(3,585,522)	(4,470,116)
Total liabilities (excluding net assets attributable to holders of redeemable participating shares)		(3,585,522)	(4,470,116)
Net assets attributable to holders of redeemable participating shares	2	**209,607,800**	**-**

On behalf of the Board of Directors

Director

27 April 2018

The accompanying notes form an integral part of these financial statements.

VIETNAM PHOENIX FUND LIMITED

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES FOR THE YEAR ENDED 31 DECEMBER 2017

2017	**US$**
Net assets attributable to holders of redeemable participating shares at beginning of the year*	371,697,555
Proceeds from issuance of share subscriptions during the year	207,805
Payments on share redemptions during the year	(182,974,911)
Increase in net assets attributable to holders of redeemable participating shares resulting from operations	20,677,351
Net assets attributable to holders of redeemable participating shares at end of the year	**209,607,800**

2016	**Share Capital US$**	**Share Premium US$**	**Capital Redemption Reserve US$**	**Retained losses US$**	**Total Equity* US$**
Balance at 1 January 2016	4,383,000	442,909,344	16,603,907	(147,206,410)	316,689,841
Repurchase of share capital**	-	(948,710)	-	-	(948,710)
Cancellation of share capital***	(145,500)	(4,443,654)	4,589,154	-	-
Transactions with owners	(145,500)	(5,392,364)	4,589,154	-	(948,710)
Total comprehensive income	-	-	-	55,956,424	55,956,424
Balance at 31 December 2016	**4,237,500**	**437,516,980**	**21,193,061**	**(91,249,986)**	**371,697,555**

*As detailed in Note 2 on page 40, prior to the restructuring of the Company on 1 January 2017, all shares were classified as equity and following the restructuring, all shares are classified as redeemable participating shares.

**The Company repurchased 1,550,000 of its own shares ("treasury shares") through Teignmouth Limited. Following these transactions the cumulative treasury shares repurchased by the Company totaled 14,550,000. The cost of the treasury shares purchased in 2016 is US$ 948,710.

***In September 2016, the Company cancelled all of the 14,550,000 treasury shares it held. As a result, the issued share capital of the Company reduced from 438,300,000 shares to 423,750,000 shares. There were no repurchases of treasury shares in 2017.

The accompanying notes form an integral part of these financial statements.

VIETNAM PHOENIX FUND LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	31/12/2017 US$	31/12/2016 US$
Cash flows from operating activities			
Profit for the year		20,677,351	55,956,424
Adjustment for non-cash items:			
Decrease/(increase) in financial assets at fair value through		164,281,708	(57,770,657)
Changes in operating assets and liabilities			
Decrease/(increase) in accounts receivable	7	1,049,199	(67,651)
(Decrease)/increase in accounts payable	8	(1,117,329)	3,776,677
Total cash generated by operating activities		184,890,929	1,894,793
Cash flows from financing activities			
Repurchase of Share Capital	9	-	(948,710)
Share subscriptions during the year		207,805	-
Share redemptions during the year		(182,742,176)	-
Total cash outflow from financing activities		(182,534,371)	(948,710)
Net (decrease)/increase in cash and cash equivalents		2,356,558	946,083
Cash and cash equivalents at the beginning of the year		1,238,012	291,929
Cash and cash equivalents at the end of the year		3,594,570	1,238,012
Cashflows from operating activities include:			
Interest received		1,377,502	2,145,467
Dividend received		6,425,078	12,826,429
Taxation paid		(18,070)	(30,674)

The accompanying notes form an integral part of these financial statements.

1 Incorporation and principal activity

The Vietnam Phoenix Fund Limited (the "Company"), previously known as DWS Vietnam Fund Limited, is an exempted company with limited liability formed under the laws of the Cayman Islands on 13 September 2006. The registered office of the Company is located at DMS House, 20 Genesis Close, P.O. Box 1344, Grand Cayman KY1-1108, Cayman Islands.

The investment objective of the Company is to seek long-term capital appreciation by investing directly or indirectly in a diversified portfolio of securities of companies that do some or all or their business in Vietnam.

The Company seeks to achieve its investment objective through investing primarily in securities of listed and unlisted entities, including Vietnamese-listed companies, overseas companies and unlisted companies. Such entities include listed and unlisted closed-end fund vehicles. The Company also invests in securities issued by governmental agencies.

The Company holds all of its investments through wholly owned subsidiary companies which are special purpose entities ("SPEs") incorporated outside of Vietnam. The Company has 10 wholly-owned SPEs, incorporated as exempted companies with limited liability in the Cayman Islands having the purpose of acting as trading conduits of the Company. These SPEs are:

1. Epsom Limited
2. Lionel Hill Limited
3. Beira Limited
4. Prime Limited
5. Greystanes Limited
6. Siglap Limited
7. Teignmouth Limited
8. Tewkesbury Limited
9. Kallang Limited
10. Hephaestus Limited

As at the year end the SPEs were in operation, with the exception of Teignmouth Limited and Tewkesbury Limited.

As at 31 December 2017 and 2016, the Company and its SPE's (the "Group") had no employees. The investment activities of the Company are managed by the Duxton Asset Management Pte Ltd (the "Investment Manager") and the administration of the Company is delegated to State Street Fund Services (Ireland) Limited (the "Administrator"). The Investment Manager appoints all members of the boards of directors of the 10 SPEs listed above. The Company is listed on the Irish Stock Exchange ("ISE").

2 Significant accounting policies

Statement of Compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). They have also been prepared in accordance with the reporting requirements of the Irish Stock Exchange and the EU Transparency Directive (2004/109/EC) Regulations 2007 (S.I. No. 277 of 2007), (the "Regulations") for closed-ended funds. The significant accounting policies adopted by the Company are set out below.

The accounting policies, presentation and methods of calculation applied by the Company in these financial statements are consistent with those applied by the Company in its financial statements for the year ended 31 December 2016, with the exception of the change in the accounting treatment of the redeemable participating shares.

2 Significant accounting policies (cont/d)

Statement of Compliance (cont/d)

Before the restructuring of the Company, effective 1 January 2017, as detailed in Note 9, the shares constituted the only class of shares in the Company. All Shares had the same rights, whether in regard to voting, return of share capital and otherwise. Because all the shares were in a single share class, it was a requirement that they be presented as equity in accordance with IAS 32 "Financial Instruments: Presentation". The standard requires entities to classify puttable financial instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity.

Following the restructuring of the Company, and the creation of three share classes, all shares in the Company are classified as redeemable participating shares. Redeemable participating shares are redeemable at the shareholder's option and are classified as financial liabilities. A redeemable participating share can be put back to the Company at any time for cash equal to a proportionate share of the Company's net asset value. A redeemable participating share is carried at the redemption amount that is payable at the Statement of Financial Position date if the shareholder exercises the right to put the share back to the Company.

a) Basis of preparation

The financial statements are presented in US Dollars. The functional currency of the Company is the US Dollar, reflecting the fact that all subscriptions received were denominated in US Dollars. The financial statements are prepared on a fair value basis for financial assets at fair value through profit or loss and for derivative financial instruments which are held for trading. Other financial assets and liabilities are stated at amortised cost.

The accounting policies have been applied consistently by the Company to both periods presented in the financial statements, with the exception of the change to classification of shares as redeemable participating shares as noted above.

Going Concern:

The financial statements have been prepared on a going concern basis.

b) Accounting estimates and judgments

The preparation of the financial statements, in accordance with IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from those estimates.

The fair value of the subsidiaries is based on the fair value of the underlying investments they hold with estimation being involved in arriving at the fair value of certain of those underlying investments. Fair value estimates are made at the reporting date, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment (e.g. interest rates, volatility, estimated cash flows etc.) and therefore, cannot be determined with precision. Note 16 details the fair value hierarchy and supporting information. The fair value of subsidiaries factors in a reduction for a deferred tax provision on the underlying investments. The deferred tax provision as at year end 31 December 2017, reflected as part of the valuation of the subsidiaries, was US $Nil (2016: US $Nil).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2 Significant accounting policies (cont/d)

c) New accounting standards, amendments and interpretations

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2017 and not early adopted

IFRS 9 "Financial Instruments" was issued in July 2014 and is effective for financial periods beginning on or after 1 January 2018. Based on the Company's initial assessment, this standard is not expected to have a material impact on the classification of financial assets and financial liabilities of the Company.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option are recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- the remaining amount of change in the fair value is presented in profit or loss.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Based on the Company's initial assessment, changes to the impairment model are not expected to have a material impact on the financial assets of the Company. This is because:

- the majority of the financial assets are measured at fair value through profit or loss and the impairment requirements do not apply to such instruments; and
- the financial assets at amortised cost are short-term (i.e. no longer than 12 months), of high credit quality and/or highly collateralised. Accordingly, the expected credit losses on such assets are expected to be small.

Hedge accounting

The Company does not apply hedge accounting; therefore, IFRS 9 hedge accounting-related changes do not have an impact on the financial statements of the Company.

d) Consolidation

To determine the appropriate accounting treatment as set out under IFRS 10, "Consolidated Financial Statements" the Company has determined that it meets the definition of an investment entity ("IE") as it meets the required criteria as follows:

(i) It has obtained funds from one or more investors for the purpose of providing those investors with investment management services;
(ii) It has committed to its investors that its business purpose is to invest funds solely for returns from capital appreciation investment income or both; and
(iii) It measures and evaluates the performance of substantially all of its investments on a fair value basis.

In addition, the Company has concluded that it has all the following typical characteristics of an investment
entity, namely:

(i) It has more than one investment;
(ii) It has multiple investors;
(iii) The majority of its investors are not related parties; and
(iv) It has ownership interests in the form of equity.

2 Significant accounting policies (cont/d)

d) Consolidation (cont/d)

As the subsidiaries do not provide management services or strategic advice and all activities are managed through the parent company level, the Company has concluded that all its subsidiaries through which the Company holds its investment portfolio are also investment entities and should be accounted for at fair value through profit or loss.

e) Financial Instruments

(i) Classification

IFRS 10 Investment Entity Amendment requires subsidiaries to be accounted for at fair value through profit or loss in accordance with IAS 39.

Associates are entities over whose financial and operating policies the Company has the ability to exercise significant influence. Investments in associated undertakings are initially recorded at cost and subsequently carried at fair value through profit and loss.

(ii) Recognition

The Company recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase of financial assets is recognised and derecognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

(iii) Measurement

Financial instruments are measured initially at fair value. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed through operating expenses in the profit or loss immediately while on other financial instruments such costs are amortised. Subsequent to initial recognition, except for financial instruments carried at amortised cost, all other financial instruments are fair valued through profit or loss.

(iv) Fair value measurement principles

The underlying investments held through Investment Entity ("IE") subsidiaries, which are quoted, listed or normally dealt on a securities market or on another regulated market that is active will normally be valued at the official close of business last traded price on the principal market for such security. Where such security is listed or dealt in on more than one securities market the Administrator will value the security in the principal market, or in the absence of a principal market in the most advantageous active market to which the entity has immediate access. The value of any investment which is not listed or dealt in an active securities market shall be the value using an average of available broker prices, provided the variance between broker prices is not significant, the Net Asset Value ("NAV") as provided by a reputable administrator, or using an alternative estimation technique to measure fair value where no broker prices are available, if this is considered the best estimate of fair value at the year end. The fair value of the subsidiaries is based on the fair value of the underlying investments they hold with a reduction for a deferred tax provision if applicable, the calculation of which is based on the underlying investments, as described in Note 2(l).

(v) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

2 Significant accounting policies (cont/d)

e) Financial Instruments (cont/d)

(vi) Cash and cash equivalents

Cash comprises current deposits with banks. Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents are carried at amortised cost which approximates its fair value.

f) Net gains and losses on investments at fair value through profit or loss

Gains and losses arising from investments at fair value through profit or loss are included in the Statement of Comprehensive Income. The net gain from investments at fair value through profit or loss include all realised and unrealised fair value changes, foreign exchange differences and interest and dividend income received, calculated as described in Note 2(h) and 2(i). The net gain from investments at fair value through profit or loss is analysed in Note 3.

g) Translation of foreign currencies

Transactions in foreign currencies are translated into US Dollars, the functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are then subsequently translated to US Dollars at the foreign currency closing exchange rate ruling at the reporting date. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised through profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to US Dollars at the foreign currency exchange rates ruling at the dates that the values were determined.

Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised together with other changes in the fair value.

h) Interest Income

Interest income is recognised in gains and losses arising from investments at fair value through profit or loss as it accrues, using the original effective interest rates of the instrument calculated at the later of the acquisition or origination date. Interest income includes the amortisation of any discount or premium, or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

i) Dividend income

Dividend income relating to equity investments is recognised in gains and losses arising from investments at fair value through profit or loss on the ex-dividend date in the Statement of Comprehensive Income. In some cases, the Company may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases the Company recognises the dividend income through the Statement of Comprehensive Income for the amount of the equivalent cash dividend alternative with the corresponding debit in financial assets at fair value through profit or loss in the Statement of Financial Position.

j) Expenses

All expenses, including investment management fees, administration fees and custodian fees are recognised in profit or loss on an accruals basis.

k) Share Capital

Costs directly associated with the issuance of share capital of the Company were charged to the share premium account.

2 Significant accounting policies (cont/d)

l) Taxation

Current tax is provided against the Company's taxable profits, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Dividend and interest income received by the Company may be subject to withholding tax imposed in the country of origin. Investment income is recorded gross of such taxes and the withholding tax is recognised as 'non-reclaimable withholding tax' in the profit or loss.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the reporting date. Provision is made at the rates expected to apply when the temporary differences reverse.

Temporary differences are differences between the carrying amount of an asset or liability in the Statement of Financial Position and its tax base.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

m) Segmental Reporting

The Company operates a single operating segment under IFRS 8 with all decisions on allocating resources and reviewing performance of the Company being managed as a single segment. Note 17 provides a detailed description of the presentation of segment information.

n) Purchase of own shares in Vietnam Phoenix Fund Limited

The Company held treasury shares as part of its investment portfolio in 2016, purchased by Teignmouth Limited, a wholly owned subsidiary.

In compliance with IFRS, such investments were excluded from the Company's financial assets, as calculated for IFRS financial statement reporting purposes and were instead treated as treasury shares. The cost of treasury shares purchased by Company companies was recorded as a movement through the share premium account as disclosed in the Statement of Changes in Equity in the year the buyback occurred.

As treasury shares were not included as a financial asset on the Statement of Financial Position, any unrealised gain/loss on the purchase of its treasury shares held was excluded from the net gain/loss on investments at fair value through profit or loss and shareholders' equity.

On 7 September 2016 the 14,550,000 treasury shares held by Teignmouth Limited were cancelled. In accordance with IFRS and applicable law, the cancellation of the shares was recognised as a movement through the share premium and share capital accounts with the amount by which the share capital is diminished transferred to the capital redemption reserve and is disclosed in the Statement of Changes in Equity.

No treasury shares were purchased by Teignmouth Limited since September 2016.

3 Net gain on investments at fair value through profit or loss

	31/12/2017 US$	31/12/2016 US$
Dividend income*	6,420,451	12,334,379
Interest income	1,460,113	1,266,213
Realised gain/(loss) on investments	69,190,928	(1,715,419)
Net unrealised (loss)/gain on investments	(45,564,078)	66,685,977
Net foreign exchange loss	(358,785)	(6,250,652)
Other income	17,486	6,044,231
	31,166,115	78,364,729

*Dividend income is net of withholding tax

4 Operating expenses

	Notes	31/12/2017 US$	31/12/2016 US$
Investment Manager			
Investment Management fee	13	(4,819,357)	(5,871,126)
Investment Advisory fee	13	-	(493,337)
Performance fee	13	(4,397,222)	(13,911,250)
		(9,216,579)	(20,275,713)
Custodian			
Custodian fees	11	(348,686)	(440,136)
Administrator			
Administration fees	11	(295,301)	(436,137)
Transfer Agency fees		(5,999)	(6,000)
		(301,300)	(442,137)
Other expenses			
Directors' fees*	5,13	(150,000)	(150,000)
Directors' Insurance		(27,271)	(35,000)
Professional fees		(194,376)	(531,401)
Audit fee**		(69,150)	(51,531)
Miscellaneous expenses		(181,402)	(482,387)
		(622,199)	(1,250,319)
Total Operating Expenses		(10,488,764)	(22,408,305)

*Prior year comparative has been restated to conform with current year presentation. Directors' out of pocket expenses are included in Miscellaneous expenses.

**The audit fee relates solely to the provision of audit services.

5 Directors' Remuneration

The Board determines the fees payable to each Director. At the Annual General Meeting of the Company held on 31 December 2015, a special resolution was passed to amend the Articles of Association of the Company to change the maximum remuneration from US$75,000 in aggregate for the Board to US$75,000 per director per annum.

6 Cash and cash equivalents

	31/12/2017 US$	31/12/2016 US$
Cash and bank balances	3,594,570	1,238,012
	3,594,570	1,238,012

6 Cash and cash equivalents cont/d

All cash and bank balances are held with State Street Custodial Services (Ireland) Limited whose parent State Street Corporation has a Standard & Poor's short-term credit rating of A-1 (31 December 2016: A-1) and the sub-custodian HSBC Bank (Vietnam) Limited which had a Standard & Poor's short-term rating of A-1+ as at 31 December 2017 (31 December 2016: A-1+).

7 Accounts receivable

	31/12/2017	31/12/2016
	US$	US$
Retention fee receivable	-	1,049,199
	-	1,049,199

8 Accounts payable

	31/12/2017	31/12/2016
	US$	US$
Redemption proceeds payable	(232,735)	-
Accrued Investment Management Fee**	(266,224)	(554,092)
Accrued Performance Fee**	(2,943,424)	(3,410,498)
Accrued Other Fees	(143,139)	(505,526)
	(3,585,522)	(4,470,116)

**Refer to Note 13 for details

9 Share capital

Redeemable Participating Shares

On incorporation of the Company on 13 September 2006, the authorised share capital was US$500,000,000 made up of 500,000,000 shares of a par value of US$1.00 each, having the rights set out in the Articles. By virtue of an Ordinary Resolution of the Company passed on 19 December 2008 and with the sanction of an Order of the Grand Court of the Cayman Islands dated 31 July 2009, the authorised share capital was amended to US$10,000,000 made up of 1,000,000,000 shares of a par value of US$0.01 each. Consequently, and by virtue of a Special Resolution of the Company passed on 19 December 2008 and with the sanction of an Order of the Grand Court of the Cayman Islands dated 31 July 2009, the issued share capital of the Company was reduced from US$486,931,392 made up of 486,931,392 shares of US$1.00 each, to US$4,869,314 made up of 486,931,392 shares of US$0.01 each.

Following the restructuring of the share capital, which became effective on 1 January 2017, the Company's authorised share capital was amended to US$10,000,000 made up of 2,000,000,000 shares of a par value of US$0.005 each. The Directors initially designated three distinct share classes. For every share owned previously, shareholders who opted for the "Continuation Option" received 1 Continuation share (Class A) and 1 Private Equity Share (Class C), while shareholders who opted for the "Realisation Option" received 1 Realisation share (Class B), 1 Private Equity share (Class C) .

Class A shares are open-ended while Class C shares are closed-ended. Class A shares and Class C shares have the same rights in relation to voting, dividends, return of share capital and other matters as set out in the Articles of Association. Class B Shares shall have no voting rights nor any right to attend a general meeting of the Company. All Realisation Shares were redeemed in the period from 1 January to 21 April 2017.

Before the restructuring of the Company, effective 1 January 2017, the shares constituted the only class of shares in the Company. The Company had originally issued one subscriber share which was subsequently repurchased by the Company at par. All Shares had the same rights, whether in regard to voting, dividends, return of share capital and otherwise. Because all shares of the Company were in a single share class prior to 31 December 2016, it was required that they would be presented as equity in accordance with IAS 32 "Financial Instruments: Presentation". The standard requires entities to classify puttable financial instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity. Following the restructuring on 1 January 2017, the Company ceased to have all the features required under IAS 32 for equity classification and the shares are therefore classified as redeemable participating shares as at 31 December 2017.

9 Share capital (cont/d)

Redeemable Participating Shares (cont/d)

The investment objective of the Company is disclosed in Note 1. The Company strives to invest its capital to purchase investments that meet the Company's investment objective while maintaining sufficient liquidity.

Subject to the approval of the Irish Stock Exchange, the Company may hold treasury shares through one of its 10 wholly-owned special purpose vehicles as listed in Note 1, by way of a re-purchase of any issued shares.

The Investment Manager has the sole discretion to direct the purchase or sale of such treasury shares of the Company where, in its discretion, it considers that there is a significant difference between the NAV per share and the trading price per share, but subject to certain conditions as detailed in the Private Offering Memorandum ("POM").

As at 31 December 2017, the Company did not hold any treasury shares as part of its investment portfolio (31 December 2016: Nil).

Share transactions during the year ended 31 December 2017:

	Class A shares 31/12/2017	**Class B shares 31/12/2017**	**Class C shares 31/12/2017**
Shares in issue at beginning of year	-	-	-
Capital restructuring 1 January 2017	191,377,519	232,372,481	423,750,000
Shares issued during the year	207,805	-	-
Shares redeemed during the year	(93,715,120)	(232,372,481)	-
Shares in issue at end of year	97,870,204	-	423,750,000
Net Asset Value for holders of shares	US$70,651,997	US$-	US$138,955,803
Net Asset Value per share	US$0.7219	US$-	US$0.3279

Share transactions during the year ended 31 December 2016:

	Ordinary shares 31/12/2016
Shares in issue at beginning of year	423,750,000
Shares issued during the year	-
Shares redeemed during the year	-
Shares in issue at end of year	423,750,000
Net Asset Value for holders of shares	US$371,697,555
Net Asset Value per share	US$0.8772

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to be able to meet liabilities as they fall due. The Board monitors the return on capital, which the Company defines as results from operating activities divided by total shareholders' equity.

10 Share premium

	31/12/2017 US$	**31/12/2016 US$**
Balance at start of year	437,516,980	442,909,344
Balance at end of year	-	437,516,980

11 Significant Agreements

Custodian
State Street Custodial Services (Ireland) Limited acts as Custodian to the Company, pursuant to the Custodian Agreement dated 10 November 2006.

The Custodian fees are charged based on the NAV of the Company (not to exceed 18 basis points per annum) on a monthly basis in arrears as defined in the POM. The Custodian will also be entitled to be reimbursed by the Company for all transaction costs attributable to the Company and incurred by the Custodian from time to time and any appropriately incurred third party fees and expenses, including fees of any sub-custodian appointed by the Custodian at market rates.

Administrator
The Company appointed State Street Fund Services (Ireland) Limited as Administrator to the Company pursuant to an agreement dated 10 November 2006. The Administration fee is billed and payable monthly based on the average monthly net assets. The current rates for the Administration fee are 9 basis points per annum for the first US$100 million net assets, 8 basis points per annum for net assets between US$100 and US$300 million and 6 basis points per annum for net assets in excess of US$300 million subject to a minimum monthly charge of US$8,000 per SPE and a maximum fee of 12 bps per annum of the NAV of the Company.

Investment Manager

The Investment Management fees payable in respect of each share class are as follows:

Class A shares: 1.50% per annum of the NAV of the Class A Shares before any deduction of the management fee for that month and before deduction of any accrued performance fee.

Class B shares: in respect of any redemption payments paid to holders of Class B shares by reference to a redemption date on or before 31 March 2017, 1% of such redemption payments and 0.75% of redemption payments with redemption date after 31 March 2017.

Class C shares: for 2017, 1.50% per annum of the Class C shares NAV as at valuation date 1 January 2017, 1.00% of the Class C shares NAV for 2018 and 0.50% of the Class C shares NAV for periods after 31 December 2018.

Performance Fees
A performance fee is payable to the Investment Manager. The crystalized performance fee payable to the Investment Manager for the year ended 31 December 2017 was US$4,397,222 (31 Dec 2016: US$13,911,250) of which US$2,943,424 was outstanding at the year end (31 Dec 2016: US$3,410,498).

The Company pays performance fees to the Investment Manager calculated by reference to the unaudited management accounts of the Company. The calculation period covers the 12 months ended 31 December 2017.

For each period, the performance fee in respect of each share class is as follows:

Class A shares: performance fee will be equal to 15% of the appreciation in the NAV in respect of this share class above the High Water Mark (“HWM”) but only if such appreciation exceeds the Hurdle Rate of 8% per annum, and will be payable on only the appreciation in the NAV above the HWM.

11 Significant Agreements (cont/d)

Performance Fees (cont/d)

Class B shares: no performance fee was payable in respect of this share class.

Class C shares: the Company will distribute any distributable cash flow (the excess of (i) cash and (ii) any amounts that are required to meet future expenses and obligations of the relevant portfolio), by way of a redemption of shares in the following priority and manner:

a) First, 100% to the shareholders until an amount equal to the NAV in respect of each Class C share as at the Initial Subscription Date (the "Initial NAV") has been paid.
b) Then, 100% to the shareholders until they have received an 8% annualised compounded return on the total NAV per share in respect of Class C shares as at the Initial Subscription Date, adjusted for any distributions paid to Class C shareholders after the Initial Subscription date (the "Preferred Return").
c) Then, 100% to the Investment Manager until it has received an amount equal to the Relevant Percentage (as defined below) of the aggregate of the Preferred Return and this catch-up provision; and
d) Thereafter, the Relevant Percentage to the Investment Manager and the balance to the holders of the Class C shares.

The aggregate amount distributable to the Investment Manager in accordance with c) and d) above, is referred to as the Performance Fee.

The Relevant Percentage will be 20% if the performance fee in respect of Class C shares is payable during the first year following the Initial Subscription Date, reducing to 15% if it is payable during the second year and 10% if it is payable thereafter.

12 Taxation

There are no taxes on income or gains in the Cayman Islands and the Company has received an undertaking from the Governor in Council of the Cayman Islands, under the Tax Concessions Law (1999 Revision), exempting it from all local income, profits and capital taxes until 26 September 2026. Accordingly, no provision for income taxes payable in the Cayman Islands is included in these financial statements.

Dividend and interest income received by the Company may be subject to withholding tax imposed in the country of origin. The investment income and any associated withholding tax is recorded in the net gain on investments at fair value through profit or loss in the Statement of Comprehensive Income.

The financial statements assume that the tax consequences for the Company as a result of its investments held by the subsidiary companies in Vietnam will be as follows:

Dividends
The Company will not be subject to any additional corporate income tax in Vietnam on dividends the Group receives from the tax-paid profits of Vietnamese companies. Remittance of the dividends outside of Vietnam is also free of all taxes.

The company receives dividends net of all taxes.

Interest
Effective March 1, 2012, non-resident institutional investors are subject to a 5% withholding tax rate on interest income received from corporate and government bonds and certificates of deposit.

12 Taxation (cont/d)

Disposals

The Company and its non-resident subsidiaries are subject to a "deemed profits" tax in Vietnam when the Company's subsidiaries dispose of any listed securities, bonds or fund certificates of its investee companies. This tax is equivalent to 0.1% of the proceeds received from the transfer.

No relief is allowed for transaction costs and no allowance is taken for the cost of investments (i.e. the existence of actual profits is irrelevant). The tax is netted against the realised gains/(losses) as part of the 'net gain on investments at fair value through profit or loss' within the Statement of Comprehensive Income.

For investee companies where the Company invests in the legal/charter capital of limited liability companies or shares in private companies (e.g. certain private equity transactions), the Company will be subject to a "capital assignment" tax on any gain made when the Company sells or transfers this ownership interest or shares to another party. This tax is chargeable at a rate of 20% from 1 January 2016 on the difference between the assignment proceeds and the original value of the assigned capital, less the transaction costs. The original value of the assigned capital is the actual capital amount which has been contributed by the transferor as at the assignment date, as supported by and based on accounting books and documents or the price at which the Company has acquired the shares.

Deferred Tax

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the reporting date. Provision is made at the rates expected to apply when the temporary differences reverse.

Temporary differences are differences between the carrying amount of an asset or liability in the Statement of Financial Position and its tax base.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The deferred tax relates to investments held by the subsidiaries and is therefore disclosed in the Statement of Comprehensive Income in the net gain on investments at fair value through profit or loss and disclosed in the Statement of Financial Position in financial assets at fair value through profit and loss.

The deferred tax position as at 31 December 2017 was US$Nil (31 Dec 2016: US$Nil). The movement is reflected in the Statement of Comprehensive Income.

13 Related Party Transactions

In accordance with IAS 24 'Related Party Disclosures', the following are the related parties and associated related party transactions of the Company for the year ended 31 December 2017.

Transactions with entities with significant influence;

For the year ended 31 December 2017, the Investment Manager earned an investment management fee of US$4,819,357 (31 December 2016: US$4,723,673 sub-investment and investment management fee) of which US$266,224 was outstanding at the year end (31 Dec 2016: US$427,554). In addition, for that year Duxton also earned a crystalized performance fee of US$4,397,222 (31 Dec 2016: US$ 7,408,950) of which US$2,943,424 was outstanding at the year end (31 Dec 2016: US$2,436,070). Duxton and its employees hold shares equivalent of 0.34% of the Company as at financial year end 31 December 2017.

For the year ended 31 December 2016 DeAM Asia, the Investment Manager for the period from 1 January 2016 to 30 September 2016, earned an investment management fee of US$1,147,453 of which US$Nil was outstanding at 31 December 2016. DeAM Asia also earned a performance fee for the period from 1 January 2016 to 30 September 2016 of US$5,947,307 of which US$974,428 was outstanding at 31 December 2016.

13 Related Party Transactions (cont/d)

Transactions with entities with significant influence cont/d;
For the year ended 31 December 2016 PXP, the Segregated Fund Manager for the period from 1 January 2016 to 31 December 2016, earned an investment advisory fee of US$493,337 of which US$126,538 was outstanding at 31 December 2016. PXP also earned a performance fee for the period from 1 January 2016 to 31 December 2016 of US$554,993 of which US$Nil was outstanding at 31 December 2016.

Transactions with key management personnel;
The total fees earned by the independent Directors during the year was US$150,000 (2016: US$150,000).

Transactions with subsidiaries;
In accordance with the POM and the Articles of Association, the Company may structure any or all of its investments through wholly-owned subsidiaries which act as SPEs incorporated outside Vietnam. These subsidiaries are listed in Note 1 are managed by the Investment Manager.

14 Interests in other entities

Investment entity status
To adopt the amendment to IFRS 10 and to be exempt from preparing consolidated financial statements, the Company must meet the definition of an IE. The Board has determined that the Company meets both the required criteria and typical characteristics of an IE.

The IFRS 12, "Disclosure of Interests in Other Entities", disclosures relate to the Company's involvement with:

a) Unconsolidated special purpose entities as listed in Note 1.
b) Structured entities interests held via SPE subsidiaries.
c) Associated companies interests held via the SPE subsidiaries.

Interest in unconsolidated IE subsidiary entities
At 31 December 2017, the Company had ten subsidiary entities as defined under IFRS 10. See Note 1 for details. One subsidiary, Teignmouth Limited is not an investment entity and was consolidated in previous years' financial statements, as that subsidiary only held treasury shares in the Company, as detailed in Note 2(n). As all treasury shares held by Teignmouth Limited were cancelled on 7 September 2016, with no further treasury share purchases since that date, Teignmouth is not consolidated in the financial statements for year ended 31 December 2017. The other nine subsidiary entities are unconsolidated. These are noted as financial assets at fair value in the Statement of Financial Position.

Interests in non-subsidiary unconsolidated structured entities
The Board has concluded that the Company had no directly held unconsolidated structured entities. However the Company holds structured entities via its SPE subsidiaries. These structured entity interests form part of the SPE subsidiaries fair value that is reflected in the financial assets at fair value in the Company's Statement of Financial Position.

Interests in associated companies
The Company has concluded that it has two investments in associated companies, held via the SPE subsidiaries. These associated company interests form part of the SPE subsidiaries fair value that is reflected in the financial assets at fair value in the Company's Statement of Financial Position. The Investment Manager is represented on the boards of directors of these two associated companies and has therefore determined that the Company holds significant influence over these associated companies.

14 Interests in other entities (cont/d)

Interests in unconsolidated IE SPE subsidiaries as at 31 December 2017:

Structured Entity	Nature	Proportion of Ownership Interest Held	Company's holding in Fair Value (US$)	% of Total Financial Assets at Fair Value through Profit or Loss	Maximum exposure to losses (US$)
Epsom Limited	Wholly owned subsidiary	100%	40,045,841	19.10%	40,045,841
Lionel Hill Limited	Wholly owned subsidiary	100%	15,436,667	7.36%	15,436,667
Beira Limited	Wholly owned subsidiary	100%	67,565,908	32.24%	67,565,908
Prime Limited	Wholly owned subsidiary	100%	8,988,659	4.29%	8,988,659
Greystanes Limited	Wholly owned subsidiary	100%	3,830,972	1.83%	3,830,972
Siglap Limited	Wholly owned subsidiary	100%	24,735,461	11.80%	24,735,461
Hephaestus Limited	Wholly owned subsidiary	100%	24,817,593	11.84%	24,817,593
Kallang Limited	Wholly owned subsidiary	100%	24,177,651	11.54%	24,177,651
Total			**209,598,752**	**100.00%**	**209,598,752**

Of the 10 SPEs in operation and listed in Note 1, all were active at year ended 31 December 2017 and at year end 31 December 2016 with the exception of Tewkesbury Limited and Teignmouth Limited. Consequently, these two (2016: two) SPEs are not included in the table above. Furthermore, there are no significant restrictions on the ability of the unconsolidated subsidiaries above to transfer funds or to repay loans or advances made to the unconsolidated subsidiary to the Company and there are no current commitments or intentions to provide financial or other support to the unconsolidated subsidiaries. All SPEs listed in the table above are incorporated in the Cayman Islands, having the purpose of acting as holding investments of the Company in Vietnam.

14 Interests in other entities (cont/d)

Interests in unconsolidated IE SPE subsidiaries as at 31 December 2016:

Structured Entity	Nature	Proportion of Ownership Interest Held	Company's holding in Fair Value (US$)	% of Total Financial Assets at Fair Value through Profit or Loss	Maximum exposure to losses (US$)
Epsom Limited	Wholly owned subsidiary	100%	58,228,185	15.57%	58,228,185
Lionel Hill Limited	Wholly owned subsidiary	100%	19,975,598	5.34%	19,975,598
Beira Limited	Wholly owned subsidiary	100%	194,406,616	52.00%	194,406,616
Prime Limited	Wholly owned subsidiary	100%	8,912,037	2.38%	8,912,037
Greystanes Limited	Wholly owned subsidiary	100%	33,618,653	8.99%	33,618,653
Siglap Limited	Wholly owned subsidiary	100%	22,261,605	5.96%	22,261,605
Hephaestus Limited	Wholly owned subsidiary	100%	19,681,827	5.27%	19,681,827
Kallang Limited	Wholly owned subsidiary	100%	16,795,939	4.49%	16,795,939
Total			**373,880,460**	**100.00%**	**373,880,460**

14 Interests in other entities (cont/d)

Interests in unconsolidated structured entities as at 31 December 2017.

The tables below details the interests in structured entities held by the Company through the SPE subsidiaries listed in Note 1.

Structured Entity	Fund Strategy	Company's holding in Fair Value (US$)	% of Total Net Assets of Structured Entity held by the Company	% of Total Financial Assets at Fair Value through profit or Loss	Maximum exposure to losses (US$)
Vietnam Enterprise Investments Limited	Primarily listed equity with OTC equity	4,348,539	0.33%	2.07%	4,348,539
Total		**4,348,539**		**2.07%**	**4,348,539**

14 Interests in other entities (cont/d)

Interests in unconsolidated structured entities as at 31 December 2016.

The tables below details the interests in structured entities held by the Company through the SPE subsidiaries listed in Note 1.

Structured Entity	Fund Strategy	Company's holding in Fair Value (US$)	% of Total Net Assets of Structured Entity held by the Company	% of Total Financial Assets at Fair Value through profit or Loss	Maximum exposure to losses (US$)
Vietnam Enterprise Investments Limited	Primarily listed equity with OTC equity	32,862,098	4.07%	8.84%	32,862,098
Vietnam Blue-Chips Investment Fund	Primarily listed equity with OTC equity	1,197,467	7.87%	0.32%	1,197,467
Total		**34,059,565**		**9.16%**	**34,059,565**

14 Interests in other entities (cont/d)

Interests in associated companies as at 31 December 2017.

The table below details the interests in associated companies held by the Company through the SPE subsidiaries listed in Note 1.

Associated Company	Nature	Company's holding in Fair Value (US$)	% of Total Net Assets of Associated Company held by the Company	% of Total Financial Assets at Fair Value through Profit or Loss	Maximum exposure to losses (US$)
Anova Corporation	Common stock	5,794,404	6.33%	2.76%	5,794,404
Anova Corporation	Long term bond	9,504,866	10.08%	4.53%	9,504,866
Corbyns International Limited	Convertible loan	22,315,851	33.20%	10.65%	22,315,851
Total		**37,615,121**		**17.94%**	**37,615,121**

14 Interests in other entities (cont/d)

Interests in associated companies as at 31 December 2016.

The table below details the interests in associated companies held by the Company through the SPE subsidiaries listed in Note 1.

Associated Company	Nature	Company's holding in Fair Value (US$)	% of Total Net Assets of Associated Company held by the Company	% of Total Financial Assets at Fair Value through Profit or Loss	Maximum exposure to losses (US$)
Anova Corporation	Common stock	7,407,876	7.39%	1.99%	7,407,876
Anova Corporation	Long term bond	12,312,808	11.78%	3.31%	12,312,808
Corbyns International Limited	Convertible loan	19,681,827	24.40%	5.30%	19,681,827
Total		**39,402,511**		**10.60%**	**39,402,511**

15 Financial instruments

This note describes the risks associated with the assets and liabilities of the Company and also the risks of the underlying portfolio of investments owned by the Company's wholly owned IE subsidiaries.

General Risk Management Process
As an investment group, the risk management of financial instruments is fundamental to the management of the Company's business. The Company's risk management process is managed by the Investment Manager.

As defined in IFRS 7, "Financial Instruments: Disclosures", risk can be separated into the following components: market risk, credit risk and liquidity risk. Each type of risk is discussed in turn and qualitative and quantitative analyses are provided where relevant to give the reader an understanding of the risk management methods used by the Investment Manager.

However, each risk control in place is not always limited to the mitigation of one single, particular risk. Hence, investors should place the role of each risk control in the broader context of the overall risk management of the Company.

The total concentration of risk is through the unconsolidated subsidiaries and their underlying investments.

(a) Market risk
(i) Market price risk
This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and market price risk.

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk which are addressed separately), whether those changes are caused by factors specific to individual financial instruments or its issuer, or other factors affecting similar financial instruments traded in the market.

Objectives, policies and processes for managing market price risk
The Company undertakes to manage market price risk among the different asset classes by pre-setting monthly asset allocation targets. The monthly asset allocation targets are based on the Investment Manager's projections of the market price risks of the individual financial instruments that the Company holds. In pre-setting allocations, the Investment Manager aims to achieve an optimal weightage of the Company's financial instruments to minimize market price risk, though there is no guarantee this may be achieved.

- Price fluctuations of individual quoted securities and their impact on the Company's estimated profits and losses are estimated and internally published on a daily basis. The Investment Manager adheres to a buy and sell discipline based on the securities' buy and sell target prices, which are determined based on fundamental factors of the underlying investments. In managing price fluctuations of small capitalization, less liquid securities, the Investment Manager may use internal investment guidelines setting typical thresholds in terms of market capitalization, average daily trading value, foreign ownership ratio, and other factors.

- Fluctuations in the valuation of unquoted securities and their impact on the Company's estimated profits and losses are estimated and communicated to shareholders on a quarterly basis. Note the Investment Manager's decision to make any private equity investments taking a long-term view, typically more than 3 years. Therefore quarterly fluctuations in the valuation of the private equity investments are only for the purpose of client and financial reporting, and not for the purpose of short-term investment decision making.

15 Financial instruments (cont/d)

General Risk Management Process (cont/d)

(a) Market risk (cont/d)
(i) Market price risk (cont/d)
Objectives, policies and processes for managing market price risk (cont/d)
For listed equities, the Investment Manager reviews the monthly valuation report provided by the Administrator. Both parties obtain pricing of the securities independently; the Administrator uses Reuters while the Investment Manager uses Bloomberg. The Investment Manager will review and flag if there are any discrepancies. The Administrator will then investigate and confirm final valuations in accordance with the Company's pricing policy.

Investments quoted, listed, traded or dealt in on any stock exchange, commodities exchange or futures exchange (if any) are valued in accordance with the last sale price of the investments sold on the relevant exchange on the day on which the determination is made or, if that is not a trading day, on the last preceding trading day. Interests in open-ended collective investment schemes (if any) are valued at the last bid price published by the managers thereof.

For the unlisted private equity ("PE") portfolio, Grant Thornton Vietnam ("GT") is engaged to perform independent valuations on the PE investments to assist the Board of the Company in the determination of the NAV. The Investment Manager reviews the valuation report provided and queries any unusual results before forwarding to the Administrator for incorporation into the NAV. The Investment Manager completes final checks to ensure accuracy.

The Company is exposed to inflation risk as the global economic recovery takes place.

The asset class exposure as at 31 December 2017 and 31 December 2016 were as follows:

	31 December 2017		31 December 2016	
	US$	%Total Assets	US$	%Total Assets
Asset Class Exposure:				
*Financial assets and liabilities at fair value through profit or loss:**				
Listed Equities	106,211,470	49.82%	211,217,090	56.15%
Unlisted Equities	56,324,157	26.42%	75,418,416	20.05%
Collective investment schemes	4,348,539	2.04%	34,059,565	9.05%
Long Term Bonds	12,575,424	5.90%	15,124,492	4.02%
Convertible Loan	22,315,851	10.46%	19,681,827	5.23%
Cash and cash equivalents	5,867,609	2.75%	17,147,812	4.56%
Other assets	1,955,702	0.92%	7,682,403	2.04%
Other liabilities	-	-	(6,451,145)	(1.71%)
Net Financial assets and liabilities at fair value through profit or loss	209,598,752	98.31%	373,880,460	99.39%
Financial assets at amortised cost				
Cash and cash equivalents	3,594,570	1.69%	1,238,012	0.33%
Other assets	-	-	1,049,199	0.28%
	3,594,570	1.69%	2,287,211	0.61%
Total Assets	213,193,322	100.00%	376,167,671	100.00%

*The exposures noted are those arising in the Company's subsidiaries that have been measured at fair value through profit or loss.

15 Financial instruments (cont/d)

General Risk Management Process (cont/d)
(a) Market risk (cont/d)
(i) Market price risk (cont/d)
The Investment Manager estimates the reasonably possible market price fluctuations for equity investments being a 10% sensitivity on an individual investment basis.

The Investment Manager is of the opinion that a +/- 10% price change in determining the sensitivity analysis is a reasonably possible change across all diverse asset classes. For 2017, the annualized volatility of the VNIndex of the Ho Chi Minh Stock Exchange, calculated using monthly returns, was 11.14%, reasonably close to the 10% change adopted in determining the sensitivity analysis.

The table below sets out the effect on the Company's profit or loss and net assets of a reasonably possible strengthening in the individual equity market prices of 10% at 31 December 2017 and 2016.

The analysis assumes that all other variables, in particular interest and foreign currency rates remain constant.

Effect in US$:	**2017 US$**	**2016 US$**
Net impact on profit or loss and net assets	16,688,417	32,069,507
Effect in % of net assets:		
Net impact on profit or loss and net assets	7.96%	8.63%

The industry sector breakdown (for listed and unlisted equities) as at 31 December 2017 is detailed below.

Sector	**31 December 2017**		**31 December 2016**
	Class A	**Class C**	**Company Total**
Industrials	-	32%	9%
Materials	16%	28%	14%
Consumer Staples	23%	-	37%
Real Estate Developers and Construction Services	22%	20%	14%
Information Technology	13%	7%	8%
Financials	12%	-	5%
Healthcare	-	11%	4%
Consumer Discretionary	8%	-	6%
Marine Shipping	3%	1%	2%
Energy	3%	1%	1%
Total	100%	100%	100%

15 Financial instruments (cont/d)

General Risk Management Process (cont/d)

(a) Market risk (cont/d)

(ii) Currency risk

Currency risk is defined in IFRS 7 as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. This risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. For the purposes of IFRS 7, currency risk is ordinarily defined to include monetary items only, such that it therefore excludes non-monetary foreign currency financial instruments. However, as the Company fair values all its non-monetary financial instruments, all such assets have been included hereunder for the purpose of currency risk exposure analysis.

Under the Company's investment objective, which is reviewed annually, there is no explicit intention of performance returns through currency gains and the Company does not seek to speculate in currencies as one of its investment objectives. The Investment Manager has also taken the view not to actively hedge the VND against the USD, the two main currencies held by the Company, as VND is often required for investments into Vietnamese-related securities that require payment in the local currency. Therefore, the Investment Manager sees no circumstances where it may deem it necessary to hedge the exposure to currency risk. A currency risk policy is therefore not in place in the management of the Company.

As such, the two main currencies held by the Company are the US Dollar ("USD") (the functional currency of the Company) and the Vietnamese Dong ("VND") (which is required for investments into Vietnam that require payment in the local currency). However, on occasion, the Company may hold financial instruments denominated in a currency other than the USD or VND as a consequence of buying securities that are listed on a non-Vietnamese exchange and which are thus denominated in a currency other than USD or VND. When selling these offshore equities which are denominated in the offshore country's base the Company may from time to time hold cash that is denominated in a currency other than USD and VND. Under such circumstances, the Investment Manager, on a best effort's basis, will either buy other offshore equities denominated in the offshore country's base currency or repatriate the amount held in the offshore country's base currency into either USD or VND as soon as possible. There are internal controls in place to ensure that the Company adheres to this policy. The Investment Manager has also taken the view not to actively hedge the VND against the USD as VND is often needed for investments into Vietnamese-related securities that require payment in local currency.

In summary, the Company's exposure to currency risk is continually monitored by the Investment Manager and hedging against such a risk will be entirely at the Investment Manager's discretion.

15 Financial instruments (cont/d)

General Risk Management Process (cont/d)

(a) Market risk (cont/d)

(ii) Currency risk (cont/d)

The table below sets out the Company's exposure to currency risk. There is no currency risk attached to the other assets and liabilities in the Company's financial statements as these are held in the Company's functional currency.

	31 December 2017			31 December 2016		
	Assets	**Liabilities**	**Net Assets**	**Assets**	**Liabilities**	**Net Assets**
	US$	**US$**	**US$**	**US$**	**US$**	**US$**
Monetary:						
USD	28,412,164	(3,585,522)	24,826,642	28,574,312	(4,470,116)	24,104,196
VND	17,896,992	-	17,896,992	24,617,831	-	24,617,831
Non-Monetary:						
USD	-	-	-	1,049,199	-	1,049,199
VND	162,535,627		162,535,627	295,515,376	(6,451,145)	289,064,231
GBP	4,348,539		4,348,539	32,862,098	-	32,862,098
Total	213,193,322	(3,585,522)	209,607,800	382,618,816	(10,921,261)	371,697,555

The Investment Manager estimates that a reasonably possible strengthening of the US$ in relation to the other currencies is 5%.

The table below sets out the effect on the Company's profit or loss and net assets of a reasonably possible strengthening of the US$ in relation to the other currencies by 5% at 31 December 2017 and 2016. This analysis assumes that all other variables, in particular interest rates, remain constant:

Effect in US$:	**2017 US$**	**2016 US$**
Net impact on profit or loss and net assets	8,799,103	16,502,103
Effect in % of net assets:	4.20%	4.44%

(iii) Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This risk arises on financial instruments whose fair value or future cash flows are affected by changes in interest rates. The Company is exposed to interest rate risk through the fixed income portion of its assets. The management of such risks is described below.

15 Financial instruments (cont/d)

General Risk Management Process (cont/d)

(a) Market risk (cont/d)

(iii) Interest rate risk (cont/d)

The following table details the Company's exposure to interest rate risk at year end. It includes the Company's financial assets and trading liabilities, categorised by the earlier of contractual re-pricing or maturity date measured by the carrying value of the assets and liabilities:

31 December 2017:

	Maturity Date less than 1 year US$	Maturity Date 1 to 5 years US$	Maturity Date over 5 years US$	Non-Interest Bearing US$	Total Carrying Value US$
Financial assets and liabilities at fair value through profit or loss:					
Equities	-	-	-	162,535,627	162,535,627
Bonds	9,504,866	3,070,558	-	-	12,575,424
Convertible loan	22,315,851	-	-	-	22,315,851
Collective Investment Schemes	-	-	-	4,348,539	4,348,539
Cash and cash equivalents	5,867,609	-	-	-	5,867,609
Other Assets	-	-	-	1,955,702	1,955,702
Net financial assets at fair value through profit or loss	**37,688,326**	**3,070,558**	**-**	**168,839,868**	**209,598,752**
Financial assets and liabilities at amortised cost					
Cash and cash equivalents	3,594,570	-	-	-	3,594,570
Other Liabilities	-	-	-	(3,585,522)	(3,585,522)
Net financial assets and liabilities at amortised cost	**3,594,570**	**-**	**-**	**(3,585,522)**	**9,048**
Total Net Assets	**41,282,896**	**3,070,558**	**-**	**165,254,346**	**209,607,800**

The interest rate profile of the Company as at year ended 31 December 2016 was as follows:

	Maturity Date less than 1 year US$	Maturity Date 1 to 5 years US$	Maturity Date over 5 years US$	Non-Interest Bearing US$	Total Carrying Value US$
Financial assets and liabilities at fair value through profit or loss:					
Equities	-	-	-	286,635,506	286,635,506
Bonds	12,312,808	2,811,684	-	-	15,124,492
Convertible loan	19,681,827	-	-	-	19,681,827
Collective Investment Schemes	-	-	-	34,059,565	34,059,565
Cash and cash equivalents	17,147,812	-	-	-	17,147,812
Other assets	-	-	-	7,682,403	7,682,403
Other liabilities	-	-	-	(6,451,145)	(6,451,145)
Net financial assets at fair value through profit or loss	**49,142,447**	**2,811,684**	**-**	**321,926,329**	**373,880,460**
Financial assets and liabilities at amortised cost:					
Cash and cash equivalents	1,238,012	-	-	-	1,238,012
Other Assets	-	-	-	1,049,199	1,049,199
	1,238,012	-	-	1,049,199	2,287,211
Other Liabilities	-	-	-	(4,470,116)	(4,470,116)
Net financial assets at amortised cost	**1,238,012**	**-**	**-**	**(3,420,917)**	**(2,182,905)**
Total Net Assets	**50,380,459**	**2,811,684**	**-**	**318,505,412**	**371,697,555**

15 Financial instruments (cont/d)

General Risk Management Process (cont/d)
(a) Market risk (cont/d)
(iii) Interest rate risk (cont/d)

VND-denominated bond portfolio
As at 31 December 2017 and 31 December 2016 the VND denominated bond portfolio comprised of an unlisted convertible bond which is not rated by Standard & Poor's. The associated risks and sensitivities are detailed in Note 16 and are therefore not included in the sensitivity analysis below.

(b) Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty risk and issuer risk. In relation to the Company, it can arise from receivables due from another party, placing deposits with other entities, purchases of debt securities and entering into derivative contracts. As at year end 31 December 2017 and 31 December 2016, there were no derivative contracts held by the Company.

Objectives, policies and processes for managing credit risk
The Investment Manager's risk committee is comprised of the Chairman, the Chief Investment Officer ("CIO"), and the Chief Executive Officer.

The objective of the Investment Manager's risk committee is to establish and maintain an effective system of internal control at the Investment Manager. The Investment Manager also has in place, Key Compliance Policies and Key Operating Procedures manuals to provide a risk management framework for the Investment Manager and the Company. The Investment Manager's risk committee meets on or discusses regularly, matters relating to financial and operational issues. Specifically on credit risk for the Company, the risk limits are set in accordance with the POM, which requires counterparties to be at least A-rated.

Counterparty Risk
For counterparty risk, the Investment Manager requires that any use of brokers be approved by the CIO and Chief Operating Officer. Documents reviewed when considering whether a broker will be admitted as an approved broker include (i) latest audited accounts or annual report of the entity where the Investment Manager or its clients will have exposure to the broker as a counterparty, (ii) brief profile of the company (e.g. Main Activities, Geographic/Markets coverage), (iii) copy of corporate structure including shareholdings (where broker is to be used as a counterparty) and (iv) letter of undertaking from parent company, if applicable. Upon approval, operations will inform the dealer and Investment Manager accordingly, including the limits allocated to the brokers.

Issuer Risk
Issuer risk is associated with transacting in exchange traded debt securities and is monitored by use of credit ratings. For funds investing in debt securities, the investment objectives provide details of the credit rating restrictions imposed on that fund.

For issuer risk, the Investment Manager's risk committee appoints an Investment Committee ("IC") for the Company for the approval of any direct investments managed by the Company. The IC consists of at least 2 people and must include the nominated fund managers of the Company and the CIO and/or the Compliance Risk Officer.

15 Financial instruments (cont/d)

General Risk Management Process (cont/d)
***b) Credit Risk* (cont/d)**

Issuer Risk (cont/d)
The CIO chairs the meetings and decisions are made via unanimous vote after considering the relevant business risks vis-à-vis potential returns, the investment structure and exit strategy, the macroeconomic environment, industry, sector trends, competitor analysis, impact on the funds asset allocation and liquidity as well as relevant Anti-Money Laundering ("AML"), Know Your Customer ("KYC") and Reputational and Business Risk matters. Also, commercial, financial and legal due diligence reports from third parties are supplemented and considered at the meetings to ensure the credibility of portfolio companies.

In managing credit risk, the Investment Manager observes the following investment restrictions and requirements, as set out in the POM:

(a) No more than 20 per cent of the gross assets of the Company may be invested in the securities of a single issuer or may be exposed to the creditworthiness or solvency of any one counterparty except where the investment is in securities issued or guaranteed by a government agency or issue of any member state, its regional or local authorities or an OECD member state;

(b) No more than 40 per cent of the gross assets of the Company may be invested in another single fund and the Investment Manager will undertake to monitor the underlying investments to ensure that, in aggregate, the investment restrictions set out above are complied with. No more than 20 per cent, in aggregate, of the value of the gross assets of the Company will be invested in other funds whose principal investment objectives include investing in other funds.

In addressing issuer risk, financial institutions outside of Vietnam must have a minimum short-term credit rating of Prime-1 (Moody) / A-1 (Standard & Poor) / F-1 (Fitch Ratings). Such deposit instruments may include money-market funds or fixed income instruments with a term of less than 3 months provided that the instrument has a credit rating of 'A' or above. For the purpose of this paragraph, a credit rating of 'A' refers to the credit rating allotted by Standard & Poor's. For instruments with no credit ratings available, the Company monitors the credit risk and credit spreads on a regular basis.

Note 15(a)(iii) and Note 16 provide further details on the risks and sensitivities associated with the listed and unlisted fixed income instruments respectively.

As at 31 December 2017, all of the assets (other than its assets located in Vietnam or assets located in any other jurisdictions which require assets to be held by a local custodian, pursuant to the Custodian Agreement) of the Company are held by State Street Custodial Services (Ireland) Limited. Bankruptcy or insolvency of the Custodian may cause the Company's rights with respect to securities held by the Custodian to be delayed or limited. The Company monitors its risk by monitoring the credit rating and financial positions of the Custodian the Company uses, and also by monitoring the credit rating of the sub-custodian it uses, HSBC Bank (Vietnam) Limited.

The carrying amounts of financial assets set out in the table below best represent the maximum credit risk exposure at the date of the Statement of Financial Position. Other assets included in the table below consist of amounts due to the Company for unsettled trades, are current in nature and are expected to be recovered in the short term.

15 Financial instruments (cont/d)

General Risk Management Process (cont/d)
***b) Credit Risk* (cont/d)**

No collateral was received by the Company in respect of investments in debt securities, for the years ended 31 December 2017 and 31 December 2016.

	31 December 2017 US$	31 December 2016 US$
Investment in Debt Instruments	34,891,275	34,806,319
Cash & Cash Equivalents	9,462,179	18,385,824
Interest & Other Receivables	1,955,702	7,682,403
Other Assets	-	1,049,199
	46,309,156	61,923,745

(c) Liquidity Risk
This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

As at 31 December 2016, the Company had little or no liquidity risk as it was a closed-end fund, and redemptions by investors are not allowed for the entire length of the fund's life. There were no financial obligations that could have arisen through redemptions of shares by investors.

The Company holds sufficient cash at all times to meet its obligations to cover operating expenses. To prevent significant exposure to financial liabilities in an underlying holding, the Company is not permitted to acquire an interest in an investment which exposes the Company to unlimited liability.

As at year end 31 December 2017, there was no net exposure arising through the Company's holdings in its subsidiaries as current assets in the subsidiaries exceed current liabilities.

The Investment Manager's policy of managing the liquidity of the Company's investments is as follows:

As detailed in Notes 9 and 19 to the financial statements, the Company was restructured in January 2017. The Company's assets and liabilities were split into three pools and attributed to Class A Shares, Class B Shares and Class C Shares.

Following the Company's restructuring, the Class A Shares are redeemable monthly at the option of the shareholders. The majority of Class A Shares portfolio are liquid listed securities. Any Class A Share redemption notice must be received at least 30 business days prior to the relevant redemption date and the payment date is generally within 20 days of the relevant redemption date. Therefore, the Investment Manager has approximately 50 days to liquidate assets to satisfy any redemption requests, which the Investment Manager expects to be more than sufficient under normal market conditions. The Company could limit the ability of the shareholder to redeem from Class A if required.

Class B Shares were subject to mandatory pro rata redemptions by the Company when cash was available. The final redemption of Class B shares took place on 21 April 2017.

Only the Class C portfolio holds illiquid Level 3 assets. As this share class is closed to share redemptions (other than those declared by the Company), no liquidity issues arise for this share class with regard to redemptions.

15 Financial instruments (cont/d)

General Risk Management Process (cont/d)
(c) Liquidity Risk (cont/d)

Risk management controls for Financial Instruments
The following paragraphs describe the risk controls taken to manage the risk levels of each of the financial instruments stated below:

1. Cash & Cash Equivalents
The Company's investments in Vietnam are in securities that are denominated in VND. Therefore, a significant cash portion of the Company is held in VND.

The VND is held in bank accounts with HSBC Bank (Vietnam) Limited, as sub-custodian. The Company may seek to hedge against a decline in the value of the Company's assets resulting from currency depreciation but only if and when suitable hedging instruments are available on a timely basis and on terms acceptable to the Investment Manager. There is no assurance that any hedging transactions engaged in by the Company will be successful in protecting against currency depreciation or that the Company will have opportunities to hedge on commercially acceptable terms. The Investment Manager has taken the view not to actively hedge the VND against the USD as VND is often needed for investments into Vietnamese-related securities that require payment in the local currency.

The Company may hold up to 100 per cent of its assets in cash at any time at the sole discretion of the Investment Manager.

2. Equities
a. Listed Equities
Listed equities are exposed to market price risks. The Investment Manager has adopted a prudent approach in building Company exposure to the broader Vietnamese markets to minimise such risks. The Company's exposure to market price risk at 31 December 2017 is equivalent to the fair values of underlying investments. The value of listed equities as at 31 December 2017 was US$106,211,470 (50.67% of NAV), 31 December 2016: US$211,217,090 (56.82% of NAV).

To manage risk in the listed equities portion of the portfolio, the Company observes the condition that no more than 20 per cent of the gross assets of the Company may be invested in the securities of a single issuer or may be exposed to the creditworthiness or solvency of any one counterparty except where the investment is in securities issued or guaranteed by a government agency or instrumentality of any member state, its regional or local authorities or an OECD member state.

No more than 25 per cent of outstanding market capitalisation/shares of any issuer may be owned by the Company.

15 Financial instruments (cont/d)

General Risk Management Process (cont/d)
(c) Liquidity Risk (cont/d)
2. Equities (cont/d)
b. Unlisted Equities

In the "unlisted equities" portion of the Company's investment portfolio, the Company is exposed to liquidity risk. The Company endeavors to minimise liquidity risk by only investing in unlisted companies with profit track record that have plans to list on a stock exchange (either domestically or regionally) within a 2-3 year time frame. However, there is no guarantee that a Stock Exchange will provide liquidity for the Company's investment in unlisted companies.

The Company may have to resell its investments in privately negotiated transactions and the prices realised from these sales could be less than those originally paid by the Company or less than what may be considered to be the fair value or actual market value of such securities. The value of unlisted equities as at 31 December 2017 was US$56,324,157 (26.87% of NAV) 31 December 2016: US$75,418,416 (20.29% of NAV). The Investment Manager's 'unlisted investments' team seeks to mitigate risk by conducting the appropriate due diligence on the unlisted companies the Company invests in. This includes on-site due diligence at the offices of the unlisted companies it invests in together with interview of the management. In some instances, external research parties may be hired to conduct due diligence on the unlisted companies. However, investors should bear in mind that good due diligence may be difficult to achieve in some contexts, especially where limited information is publicly available.

As the Company is likely to be a minority shareholder in any unlisted company in which it invests, the Company will endeavour in appropriate situations to obtain suitable minority shareholder protection by way of a shareholders' agreement and/or observer rights on boards, where possible. However, the Company may not succeed in obtaining such protection and even where the Company obtains such shareholders' agreement or board representation, they may only offer limited protection.

No more than 25 per cent of outstanding market capitalisation / shares of any issuer may be owned by the Company.

Note 14 details the Company's interests in associated companies. These associated companies are entities over whose financial and operating policies the Company has the ability to exercise significant influence.

3. Other Liabilities

Other liabilities comprise purchases on investments awaiting settlement and fund expense accruals, all of which are payable within one month of transaction date. To manage the associated liquidity risk, the Investment Manager regularly monitors the level of these short term liabilities and maintains a cash balance sufficient to meet these liabilities as their settlement dates fall due.

The table below analyses the Company's non-derivative financial liabilities into the relevant maturity grouping based on the remaining period at 31 December 2017 and 31 December 2016 to the contractual maturity date. Accounts payable are detailed in Note 8.

15 Financial instruments (cont/d)

General Risk Management Process (cont/d)
(b) Liquidity Risk (cont/d)

31 December 2017	Within 1 month US$	Greater than 1 year US$	Total US$
Accounts payable	(3,585,522)	-	(3,585,522)
Shareholders' equity	-	(209,607,800)	(209,607,800)
Total			(213,193,322)

31 December 2016	Within 1 month US$	Greater than 1 year US$	Total US$
Accounts payable	(4,470,116)	-	(4,470,116)
Shareholders' equity	-	(371,697,555)	(371,697,555)
Total			(376,167,671)

Other general risk management procedures

The Company will not:

(a) Acquire an interest in an investment which exposes the Company to unlimited liability;

(b) Make any investments on margin unless to meet the requirements of settlement; or

(c) Undertake any short-selling.

16 Fair Value Information and hierarchy

This note describes the fair value measurement of the assets and liabilities of the Company and also the assets and liabilities the Company's wholly owned subsidiaries. IFRS 13, "Fair value measurement", requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted prices for identical or similar instruments in markets that are considered less than active including securities priced using quotations received from brokers, whenever available and considered reliable; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation and instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

16 Fair Value Information and hierarchy (cont/d)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses the fair value hierarchy within the Company's financial instruments measured at fair value at 31 December 2017:

Financial assets and liabilities at fair value through profit or loss	**Level 1 US$**	**Level 2 US$**	**Level 3 US$**	**Total Fair Value US$**
Collective Investment Schemes	4,348,539	-	-	4,348,539
Listed Equities	106,211,470	-	-	106,211,470
Unlisted Equities	-	-	56,324,157	56,324,157
Long Term Bonds	-	-	12,575,424	12,575,424
Convertible Loan	-	-	22,315,851	22,315,851
Total	**110,560,009**	**-**	**91,215,432**	**201,775,441**
Cash and cash equivalents	5,867,609	-	-	5,867,609
Other assets	-	1,955,702	-	1,955,702
Other liabilities	-	-	-	-
Deferred tax	-	-	-	-
Net financial assets at fair value through profit or loss	116,427,618	1,955,702	91,215,432	209,598,752
Financial assets and liabilities at amortised cost				
Cash and cash equivalents	3,594,570	-	-	3,594,570
Other assets	-	-	-	-
Other liabilities	-	(3,585,522)	-	(3,585,522)
Net financial assets at amortised cost	3,594,570	(3,585,522)	-	9,048
Total net assets	120,022,188	(1,629,820)	91,215,432	209,607,800

The Company's unconsolidated subsidiary undertakings (if any) are categorized as Level 3 as their prices are not quoted but their values are measured on the fair value of the underlying investments and other assets and liabilities including the deferred tax provision, held by these subsidiaries.

16 Fair Value Information and hierarchy (cont/d)

The following table analyses the fair value hierarchy within the Company's financial instruments measured at fair value at 31 December 2016:

Financial assets and liabilities at fair value through profit or loss	**Level 1 US$**	**Level 2 US$**	**Level 3 US$**	**Total Fair Value US$**
Collective Investment Schemes	32,862,098	1,197,467	-	34,059,565
Listed Equities	211,217,090	-	-	211,217,090
Unlisted Equities	-	-	75,418,416	75,418,416
Equity options	-	-	-	-
Long Term Bonds	-	-	15,124,492	15,124,492
Convertible Loan	-	-	19,681,827	19,681,827
Total	**244,079,188**	**1,197,467**	**110,224,735**	**355,501,390**
Cash and cash equivalents	17,147,812	-	-	17,147,812
Other assets	-	7,682,403	-	7,682,403
Other liabilities	-	(6,451,145)	-	(6,451,145)
Deferred tax	-	-	-	-
Net financial assets at fair value through profit or loss	261,227,000	2,428,725	110,224,735	373,880,460
Financial assets and liabilities at amortised cost				
Cash and cash equivalents	1,238,012	-	-	1,238,012
Other assets	-	1,049,199	-	1,049,199
Other liabilities	-	(4,470,116)	-	(4,470,116)
Net financial assets at amortised cost	1,238,012	(3,420,917)	-	(2,182,905)
Total net assets	262,465,012	(992,192)	110,224,735	371,697,555

Transfers between levels of the fair value hierarchy are deemed to have occurred when the pricing source or methodology used to price an investment has changed which triggers a change in level as defined under IFRS 13. There were no transfers between the fair value hierarchy levels during the financial year ended 31 December 2017. During the financial year ended 31 December 2016 there was one transfer between the fair value hierarchy levels from level 2 to level 1. The collective investment scheme, VEIL was valued at 31 December 2015 using the average of three broker prices whilst at year end 31 December 2016, quoted market prices were used in the valuation of this holding.

Level 3 Reconciliation

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 during the year ended 31 December 2017:

	Listed &Unlisted Equities US$	**Long Term Bonds US$**	**Convertible Loan US$**	**Total US$**
Opening Balance	75,418,416	15,124,492	19,681,827	110,224,735
Realised losses	-	-	-	-
Unrealised gains/(losses)	(19,094,259)	(2,549,068)	2,634,024	(19,009,303)
Purchases	-	-	-	-
Sales	-	-	-	-
Transfers out of Level 3	-	-	-	-
Transfers into Level 3	-	-	-	-
Closing Balance	56,324,157	12,575,424	22,315,851	91,215,432

16 Fair Value Information and hierarchy (cont/d)

Level 3 Reconciliation (cont/d)

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 during the year ended 31 December 2016:

	Listed &Unlisted Equities US$	Long Term Bonds US$	Convertible Loan US$	Total US$
Opening Balance	64,312,636	8,732,198	18,299,092	91,343,926
Realised losses	(1,920,667)	3,651	-	(1,917,016)
Unrealised gains/(losses)	13,026,447	6,386,300	1,382,735	20,795,482
Purchases	-	2,342,182	-	2,342,182
Sales	-	(2,339,839)	-	(2,339,839)
Transfers out of Level 3	-	-	-	-
Transfers into Level 3	-	-	-	-
Closing Balance	75,418,416	15,124,492	19,681,827	110,224,735

The realised gains and losses and the movement in unrealised gains and losses are recognised in the Statement of Comprehensive Income as a net gain on investments at fair value through profit or loss.

As at 31 December 2017, the Company held investments in six private companies in the form of a combination of illiquid common stock, a convertible bond and a convertible loan which are categorized as level 3 investments under IFRS 13. The companies listed hereunder are valued in accordance with the Company's Articles of Association (Article 101(d)(v)) on the basis of 31 December 2017 valuations provided by GT as at 31 December 2017, which are based on information relating to these companies provided by the Investment Manager and approved by the Board.

The unobservable inputs and valuation methodologies applied by GT are consistent with those applied in the valuation for year end 31 December 2016.

Sensitivity analysis of unlisted positions

Anova Corporation	– Convertible Bond & Equity Position
Corbyns International Limited	– Convertible Loan
GreenFeed Vietnam Corporation	– Equity Position
NBB Investment Corporation	– Convertible Bond
S.S.G. Group Joint Stock Company	– Equity Position
VTC Online Joint Stock Company	– Equity Position

Valuation of Equity Positions

In undertaking the valuation of equity investments, the market approach has been applied, specifically the comparable company analysis; and also the income approach, specifically the discounted cash flow method. In the market approach, a basket of listed comparable companies were selected and the median of their multiples calculated. This median multiple was then used to calculate the equity value of each investment. In the discounted cash flow method, the key unobservable inputs are the discount rate and the growth rate.

16 Fair Value Information and hierarchy (cont/d)

Sensitivity analysis of unlisted positions (cont/d)
Equity Positions Valuation (cont/d)
The range of assumptions used for the base case valuations are as follows:

31 December 2017:
- Discount rate: 11.81% to 11.95%
- Growth rate: 2%
- EV/EBITDA multiple: 11.11x to 11.39x

31 December 2016:
- Discount rate: 12.14% to 12.40%
- Growth rate: 2.00% to 3.00%
- EV/EBITDA multiple: 5.39x to 7.82x

In the sensitivity analysis, to calculate the equity value in the best/worst case scenarios, the following variances to the input variables have been applied where applicable to each position:

31 December 2017:
- Changes in the discount rate: +/- 5%
- Changes in the growth rate: +/- 0%
- Changes in EV/EBITDA multiple: +/-5%

31 December 2016:
- Changes in the discount rate: +/- 5%
- Changes in the growth rate: +/- 0%
- Changes in EV/EBITDA multiple: +/- 5%

Bond and Convertible Bond Positions Valuation
The convertible bond carries with it a straight loan and an equity conversion option. As such valuation of convertible bond includes valuation of a straight bond and valuation of the option.

- The value of straight bond component is based on discounted cash flow method, where cash flows include principal and coupons, assumed to be paid at maturity date are and discounted to present value at the current market lending rate. The key unobservable input is the discount rate.
- Value of equity conversion option component is determined using option pricing model - the Black-Scholes model. The key unobservable input is the volatility of the underlying stock price.
- For the purpose of input into an Option pricing model, valuation of the underlying equity is also performed, i.e. equity value of the Company, using market approach and discounted cash flow method, based on financial forecasts of the underlying business.

The range of assumptions used for the base case valuations are as follows:

31 December 2017:
- Volatility: 33.14% to 35.50% - Sensitivity: +/-10%

31 December 2016:
- Volatility: 34.80% to 43.00% - Sensitivity: +/-10%

16 Fair Value Information and hierarchy (cont/d)

Sensitivity analysis of unlisted positions (cont/d)
Equity Positions Valuation (cont/d)

Summary of valuation methodologies
The valuation methodologies for each Level 3 holding as at 31 December 2017 are set out hereunder:

Greenfeed: income approach and market approach for equity.
Anova: income approach and market approach for equity and Black-Scholes model for convertible bond.
VTC Online: value from exercising the put option to sell the shares back to the company.
Corbyns International Ltd: amount to be received at maturity.

NBB Investment Corp: market floating price for equity and Black-Scholes model for convertible bond.
SSG Group: income approach to value SSG's investment in subsidiaries & associates, and market approach for equity.

Valuation conclusion
Based on the information and financial data provided, market information, as well as the analysis, risks and disclaimer provided by GT, the estimated value range of each Level 3 investment as at 31 December 2017 is presented below:

Level 3 Security	Market Value as at 31 December 2017 US$	Minimum value US$	Average value US$	Maximum value US$
GreenFeed Vietnam Corporation	40,045,841	38,141,072	40,000,044	41,872,081
Anova Corporation (equity)	5,794,404	5,436,545	5,787,777	6,141,451
Anova Corporation (convertible bond)	9,504,866	9,070,012	9,493,996	9,965,100
VTC Online JSC	8,943,722	8,933,494	8,933,494	8,933,494
Corbyns International Ltd.	22,315,851	22,315,851	22,315,851	22,315,851
NBB Investment Corporation	3,070,558	3,067,047	3,067,047	3,067,047
SSGA Construction Real Estate	1,540,190	1,435,556	1,538,429	1,641,301

Level 3 Security	Market Value as at 31 December 2016 US$	Minimum value US$	Average value US$	Maximum value US$
GreenFeed Vietnam Corporation	58,228,185	54,278,622	58,358,891	62,711,488
Anova Corporation (equity)	7,407,876	6,944,922	7,424,505	7,924,841
Anova Corporation (convertible bond)	12,312,808	11,681,334	12,340,447	13,048,317
VTC Online JSC	8,912,037	8,932,042	8,932,042	8,932,042
Corbyns International Ltd.	19,681,827	19,681,827	19,681,827	19,681,827
NBB Investment Corporation	2,811,684	2,817,995	2,817,995	2,817,995
SSGA Construction Real Estate	870,318	807,222	872,261	937,300

17 Segmental Reporting

IFRS 8 'Operating Segments' requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

The Investment Manager is considered to be the Chief Operating Decision Maker (CODM) for the purposes of IFRS 8.

The Investment Manager is responsible for decisions in relation to both asset allocation, asset selection and any Segregated Fund Manager delegation. The Investment Manager has been given authority to act on behalf of the Company, including the authority to purchase and sell securities and other investments on behalf of the Company and to carry out other actions as appropriate to give effect thereto.

Any changes to the investment strategy outside of the POM must be approved by the Board and then the Company's shareholders in accordance with the terms of the POM and the Articles of Association.

The Company operates a single operating segment under IFRS 8 with all cash and investment holdings being managed at a Company level. The Investment Manager has full responsibility for the investment of cash for the Company. In addition to cash, there are four separate asset classes namely listed securities, unlisted securities, fixed income securities and collective investment schemes.

However, the allocation of resources is based on an analysis of future market expectations by the Investment Manager rather than the past performance of the asset classes. The Investment Manager can further delegate the investment management responsibility for an amount of cash to a Segregated Fund Manager, if required. No Segregated Fund Manager was appointed during the year ended 31 December 2017.

The investments are allocated across five separate asset types namely collective investment schemes, listed securities, unlisted securities, fixed income securities and cash and the income earned from these investments is reflected in the Statement of Comprehensive Income. The Company has a diversified portfolio of underlying investments and no single investment accounts for more than 20% of the Company's net assets.

18 Commitments

There were no commitments to investments as at 31 December 2017 or 31 December 2016.

19 Significant events during the year

On 1 January 2017, the Company's assets and liabilities were split and allocated to the respective pools attributable to the Class A Shares, Class B Shares and Class C Shares in accordance with the terms of the fund restructuring proposal and shareholders' elections (including deemed elections).

For more detailed information on these events, please refer to the announcements made by the Company through the ISE.

20 Significant events after the year end

There have been no significant events to disclose since the year end date.

21 Approval of the financial statements

The financial statements were approved by the Board on 27 April 2018.

VIETNAM PHOENIX FUND LIMITED

OTHER INFORMATION

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VIETNAM PHOENIX FUND LIMITED

SUPPLEMENTAL UNAUDITED INFORMATION TO THE FINANCIAL STATEMENTS

Seasonal or cyclical changes

The Company is not subject to seasonal or cyclical changes.

Exchange rates

The year end exchange rates (to 1USD) are as follows:

		31/12/2017	31/12/2016
AUD	Australian Dollar	1.2785	1.3810
EUR	Euro	0.8328	0.9481
GBP	British Pound	0.7392	0.8093
HKD	Hong Kong Dollar	7.8173	7.7532
SGD	Singapore Dollar	1.3364	1.4447
TWD	Taiwan Dollar	29.7585	32.2290
VND	Vietnam Dong	22,709.0000	22,771.0000